

## **“SHAP” TALK**

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## **TRADE NEWS**

### **Major Changes in Store for 2007 HTS & Schedule B**

As we wrote in our July 2006 Shap Talk regarding the upcoming major changes to the 2007 Harmonized Tariff Schedule (HTS), the World Customs Organization is tasked with keeping the HTS up to date to reflect technological developments and changing patterns in international trade. The 2007 HTS will have changes to approximately 1600 subheadings in 83 out of the 97 chapters. The most comprehensive changes will be in chapters 84, 85, 87 and 90. Products now classified under one subheading may fall under multiple subheadings. Conversely, multiple subheadings may be consolidated into one. Section and chapter notes affecting classification are also being revised. While the intent is to remain revenue neutral, some duty rates are changing.

There are statutory prerequisites before the 2007 HTS can take effect. The International Trade Commission has forwarded the proposed changes to Congress. Congress has a 60 legislative day (not calendar day - layover days can only be counted when Congress is in session) window, known as the layover period, to consider the changes. Once Congress passes the legislation authorizing the new HTS, the President must then issue a Proclamation in the Federal Register. The legal requirement is that the changes in the Presidential Proclamation take effect no sooner than 15 days after the Proclamation is published in the Federal Register. The American Association of Exporters and Importers (AAEI) ([www.aaei.org](http://www.aaei.org)) is lobbying heavily to extend the 15 day period to 45 days to give the trade community more time to adjust to all the changes.

Eligibility for preferential treatment under multiple free trade agreements based on tariff shift could be affected. At this time, the NAFTA tariff shift rules and those for other free trade agreements have not been published. With multiple new subheadings and other subheadings being deleted, the tariff shift rules will need to be rewritten. It is possible we will not see the revised rules until the full 10 digit 2007 HTS is issued. At that time, you will need to review your products very carefully to ensure that your tariff shift qualifications remain valid.

It is very possible the new HTS will not take effect until February 2007. Until such time, the 2006 HTS will remain in effect. The Schedule B will change simultaneously with the HTS.

At this time, the ITC has only published proposed changes to the 8 digit level. The ITC document with the proposed changes may be found at:

<http://hotdocs.usitc.gov/docs/tata/hts/Pub3851.pdf>

(This document is 381 pages long and may take some time to download).

Our compliance consulting team is prepared to assist you! Please contact us at [compliance@shapiro.com](mailto:compliance@shapiro.com). We will review your current classifications and advise what changes are in store for your goods. Once the full 10 digit 2007 HTS is available (which may not be until after the New Year), we can provide the complete change

records. Remember that as importer of record, you are legally responsible for the classification of your merchandise under Reasonable Care standards.

### **GSP to Expire on December 31, 2006**

The Generalized System of Preferences (GSP) program will be expiring on December 31, 2006 for non-African Growth and Opportunity Act (AGOA) countries. The House of Representatives has not yet passed the necessary legislation to extend GSP beyond this date. As of this writing, passage is not certain. Senate Finance Committee Chairman Charles Grassley (R-Iowa) is opposing the reauthorization of the GSP program as long as Brazil and India remain beneficiary countries.

You should be prepared for GSP to expire at the end of this year. We also suggest you contact your Representatives and Senators on Capitol Hill and push for the passage of the GSP renewal legislation.

### **ATPA/ATPDEA to Expire on December 31, 2006**

The Andean Trade Preference Act (ATPA), as amended on August 6, 2002 by the Andean Trade Promotion and Drug Eradication Act (ATPDEA), is scheduled to expire on December 31, 2006. The International Trade Commission (ITC) confirms the upcoming expiration in the following release:

[http://www.usitc.gov/ext\\_relations/news\\_release/2006/er1019dd1.htm](http://www.usitc.gov/ext_relations/news_release/2006/er1019dd1.htm)

A group of House members is asking for Congress to consider legislation to bridge the gap between the expiration of the Andean Trade Preference Act and the entry into force dates for the Free Trade Agreements (FTA) with Colombia and Peru.

The members state that while they are optimistic that it is still possible for the Congress to act this year to move the FTAs forward, it is highly likely that these FTAs will not enter into force until after the expiration of the ATPA, and that this will create a disruptive gap in coverage for U.S. companies that currently trade with these countries.

Source: United States International Trade Commission and House members source document: [http://www.shapiro.com/docs/ATPA\\_expiration\\_12.31.06.pdf](http://www.shapiro.com/docs/ATPA_expiration_12.31.06.pdf)

### **CBP Adjusts Guidelines for Setting Certain Bond Amounts**

U.S. Customs and Border Protection (CBP) has published a notice seeking public comments on the procedures for setting monetary guidelines for bond amounts on merchandise subject to increased default risk and, therefore, designated as Special

Category merchandise that may be subject to enhanced bonding requirements, such as a larger continuous bond or other security.

While the notice includes bond guidelines for antidumping and countervailing duties, the notice does not state that only antidumping/countervailing duties will be designated as “Special Category” merchandise.

CBP is to provide public notice of designation of a Special Category in the Customs Bulletin and on the CBP’s Web site (<http://www.cbp.gov>) at least 60 days before new bonding requirements take effect and solicit comments from affected parties and will provide a description of the reason for the Special Category. When considering which merchandise should be designated Special Category merchandise subject to enhanced bond requirements, CBP will consider any previous collection problems concerning the industry involved, history of compliance with customs laws and regulations, the similarity to previous imports or industries experiencing uncollected revenue problems, payment history, indications that liquidated duty rates may exceed the existing security, and any other factors that are deemed relevant. Affected parties will have 30 days from the date the designation notice is published to submit comments.

All Special Categories will be monitored on a regular basis to determine whether a material change in factors has occurred so that the amount of the required bond for the Special Categories should be adjusted up or down or, when conditions no longer exist that warrant the Special Category designation, the designation will be removed and the public will be notified through the Customs Bulletin and the CBP Web site.

The entire version of the Federal Register notice can be viewed at:

<http://a257.g.akamaitech.net/7/257/2422/01jan20061800/edocket.access.gpo.gov/2006/pdf/E6-17885.pdf>

Comments must be received on or before December 26, 2006, must identify docket number USCBP-2006-0119, and may be submitted to <http://www.regulations.gov>. Or mail comments to Trade and Commercial Regulations Branch, Office of Regulations and Rulings in the Office of International Trade, Bureau of Customs and Border Protection, 1300 Pennsylvania Avenue, NW. (Mint Annex), Washington, DC 20229. You may also contact David Genovese, Office of International Trade at [David.Genovese@dhs.gov](mailto:David.Genovese@dhs.gov), Telephone (202)-863-6020.

**Source:** Federal Register / Vol. 71, No. 205 / Tuesday, October 24, 2006 / Notices

### **Census Bureau Announces Audits for Exporters and Forwarders in 2007**

At the BIS Annual Update held in Washington, DC in October, Jerome Greenwell, Chief Regulations, Outreach and Educational Branch of the U.S. Census Bureau, announced that Census will be visiting exporters and forwarders to “audit” their practices in 2007.

Mr. Greenwell said there are exporters and forwarders that are very compliant, but there are other exporters and forwarders that still have problems filing accurate information in the Automated Export System (AES).

An appointment will be made with the exporter or forwarder and it is the Bureau's aim to create "Best Practices" from the visits to exporters and forwarders that are compliant with the Census regulations. This will also give the Census Bureau an idea of why problems may occur and what clarifications need to be made by Census.

It is important that all Census regulations are followed and accurate information is being provided in your AES transmission. If you think you may not understand the Foreign Trade Regulations or have a question about a certain portion or practice, contact [compliance@shapiro.com](mailto:compliance@shapiro.com). You want to be certain if Census comes to "visit" or "audit" there are no surprises.

### **TSA Takes Significant Steps to Strengthen Air Cargo Security**

The Transportation Security Administration (TSA) has mandated security programs for air carriers and Indirect Air Carrier's (IAC's) or forwarders that may affect your air freight cargo. Significant steps have been taken by TSA recently that may mean more questions from the airline or your forwarder on air freight shipments. Forwarders and Air Carriers operate under a security program that is deemed "Sensitive Security Information" and is controlled under 49 CFR parts 15 and 1520. Specific information about TSA security programs cannot be shared and unauthorized release is not allowed by the TSA.

TSA's mission is to prevent terrorist attacks and protect our transportation network, and this involves more than simply screening passengers at airports. Air Cargo security initiatives by the TSA have:

- Tripled the amount of cargo required for inspection.
- Tripled the amount of cargo inspectors in the field enforcing these requirements.
- Dramatically increased the amount of random unpredictable screening regimes conducted on air cargo, while requiring that all shipments must be made available for that inspection. For example: there are more than 391 canine teams at 80 airports nationwide.
- Mandated that all counter-to-counter flight specific packages be screened by TSA.
- Implemented more stringent validation and screening requirements on high-risk shipments.
- Mandated TSA screening of all cargo at 250 small commercial airports.

TSA has built in their program many layers of security to protect our citizens and citizens of other countries. We must all do our part when it comes to security, so

please be patient with us if our customer service representatives ask for additional information or advise you of a possible security screening mandated by TSA.

For more information on recent programs relating to the security of air cargo, please refer to the TSA website at:

[http://www.tsa.gov/what\\_we\\_do/layers/aircargo/steps.shtm](http://www.tsa.gov/what_we_do/layers/aircargo/steps.shtm)

## **COMPLIANCE CORNER**

### **Vietnam Set to Become WTO's 150<sup>th</sup> Member**

The World Trade Organization (WTO) issued a press release announcing that on November 7, 2006, the General Council approved Vietnam's WTO membership. Vietnam must now ratify the deal, and it will become the WTO's 150<sup>th</sup> member 30 days after it has informed the WTO that it has ratified. The WTO previously stated that Vietnam is expected to ratify the membership agreement by December 5, 2006.

In order for the U.S. to recognize Vietnam as a WTO member, Congress must approve legislation to grant permanent normal trade relations (PNTR) to Vietnam. In a move that surprised many, the House of Representatives rejected an effort to pass this legislation in mid-November. Even though lawmakers voted in favor of the bill they needed the support of two-thirds of House members to pass which did not happen. President Bush had made passage of the Vietnam PNTR bill a priority before his trip to Hanoi for an APEC forum summit Nov. 18 and 19. House leaders are expected to try to win approval for the measure sometime in December under regular procedural rules, which require only a simple majority.

Earlier in 2006, the Senate placed a hold on the PNTR legislation out of concern that Vietnam's accession could harm the U.S. textile industry. However an agreement was reached by the Bush administration and domestic textile interests to monitor apparel imports from Vietnam and self-initiate antidumping cases if Vietnamese textiles start to flood the U.S. market.

Further in their press release, the WTO goes into detail as to the content of the accession documents. In brief the documents consist of (1) Vietnam's commitment on goods, (2) Vietnam's commitment on services, and (3) The working party report that outlines the economic context and the institutional and legal framework. For more details please see the WTO press release at [http://www.wto.org/english/news\\_e/pres06\\_e/pr455\\_e.htm](http://www.wto.org/english/news_e/pres06_e/pr455_e.htm)

### **FDA Issues Compliance Information for Food Facility Registration**

The Food and Drug Administration (FDA) has provided an updated country-by-country list of the number of food facilities registered with the FDA for those countries with 10 or more registered facilities.

Under the provisions of the Bioterrorism Act (BTA), domestic and foreign facilities are required to register with the FDA if they manufacture, process, pack, or hold food for human or animal consumption in the United States.

FDA intends to enforce the registration requirement through prior notice (PN) by requiring the registration number of the foreign manufacturer and shipper as part of the PN transaction.

FDA estimates that the total number of food facilities that must register is approximately 420,000, half of which are domestic. As of September 14, 2006, FDA had received 298,236 registrations, of which 171,837 are foreign and 126,399 are domestic.

The following table is a sampling of the listed countries and the number of food facility registrations for each, current as of September 14, 2006:

Canada	12,453	Mexico	12,168
China	15,141	Taiwan	2,350
India	3,875	Thailand	2,420
Japan	19,685	Vietnam	4,669

**Source:** FDA Document 09/14/06 available at <http://www.cfsan.fda.gov/~furls/ffregsum.html>

## **TRANSPORTATION UPDATE**

### **December 2006**

#### **Far East**

The Far East market shows few signs of slowing down. Carriers are running at nearly 100% capacity on all water services to the U.S. east coast. There will be a slow down and carriers are starting to pull some capacity as the full peak season ends. The carriers did announce that they plan to extend the Peak Season Surcharge through the end of February 2007. As of this writing we do not have a definitive answer on what will happen. The ocean carriers will do everything they can to keep the Peak Season Surcharge in place.

The Transportation Stabilization Agreement (TSA) announced that they will seek a "cost-recovery program" for the 2007 shipping season. They are proposing the following:

\$300.00 per FEU on shipments to the West Coast

\$650.00 per FEU on intermodal shipments

\$500.00 per FEU on all-water shipments to the East Coast via the Panama and Suez Canals

It is highly unlikely that the carriers will gain the increase to the amount of capacity that will enter the trade. Contract negotiations will begin in 2007. Most contracts from Asia expire on April 30, 2007.

### **Northern Europe**

Maersk Line took the unusual step of announcing that they would raise rates effective 1/1/07 by \$300.00 per container from Northern Europe to the USA. They feel rates had deteriorated to a point where they are not making money on the trade. The only other carrier that has followed their lead is Mediterranean Shipping Company.

Bunker fuel surcharges that were reduced in November will be maintained through January 16, 2007 from Northern Europe. Current bunker surcharges on import cargo as of November 16, 2006, are as follows:

- East Coast Ports 20' containers \$395.00
- East Coast Ports 40', 40' HC and 45' containers \$790.00
- West Coast Ports 20' containers \$593.00
- West Coast Ports 40', 40' HC and 45' containers \$1186.00

Carriers will maintain their Currency Adjustment Factor at 8%.

### **The Mediterranean**

The bunker fuel surcharge has remained stable. Bunker surcharges will remain as follows to Atlantic and Gulf ports from all Mediterranean ports:

20' container	from \$401.00
40', 40 HC container	from \$802.00

### **Special Equipment**

There is still an acute shortage of flat racks, open top and other special equipment from Europe to the U.S. Importers requiring special equipment should forecast their needs 60 days in advance in order to secure the special equipment. This is a major struggle right now all over Europe.

### **South America**

Carriers are still omitting the port of Rio Grande do Sul in Brazil lately due to various delays. Overall bookings are strong from the East Coast of South America.

Recently there have been delays due to congestion in Puerto Cabello, Venezuela. This has caused a ripple effect with some carriers that have the same vessels plying the entire east coast of South America.

### **Air News**

Fuel surcharges have stabilized worldwide at the moment. Air freight is strong from the Far East but not as strong as in previous years. Space is not in short supply even though rates have spiked up. As more flights are added, especially from Shanghai, we should see rates become more stable.

## **Domestic USA**

The rail system is handling the volume of cargo moving across the country, however it is still taking longer than usual for west coast containers to reach the east coast. This is due to the congestion in Chicago.

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

### **News From Our Atlanta Office - Atlanta Maritime Association Alive and Well**

The Atlanta Maritime Association (AMA) was organized in 1975. The mission is to serve the maritime community by offering educational, informative events, and networking opportunities that foster growth and excellence in the international ocean cargo industry.

The membership consists of containerized ocean carriers, Ocean Transport Intermediaries (OTI's), Freight Forwarders, Customs Brokers, Non Vessel Operating Common Carriers (NVOCC's), trucking companies, warehouse operators, and other allied services.

Recently member of our Atlanta office attended the second Annual Ports and Flags Celebration at the Georgia Freight Depot as a Silver sponsor. The Georgia Freight Depot was completed in April of 1869 and is one of the oldest buildings in downtown Atlanta, post-Sherman era. As y'all know, General Sherman burned Atlanta on his march to the sea. The building served as the main freight depot for the Georgia Railroad and was restored by the Georgia Building Authority in 1981 for public use. Most of the original brickwork and freight bays remain in place to give the facility a unique setting for special occasions.

Wayne Martin, Brunella Reid, Erin Bruner, and Ruth Terrell represented the Atlanta office and managed a booth at the meeting to promote our company and services to the maritime community, as well as network with service providers and potential customers. There were over 200 attendees at the event. The AMA provided dinner and presented guest speaker, Steven R. Blust, Chairman of the Federal Maritime Commission.

### **Employee Development at Shapiro**

Samuel Shapiro & Company, Inc. has a Statement of Values by which we run the company and expect staff members to act. One of our Values is "Encourage Development." Our Values say that this means we "work to develop, challenge and inspire all of our employees to grow individually and with the Company." For Samuel Shapiro & Company, a very strong focus on formal training is one way in which we live this Value and also continue to commit to providing our customers with the best service possible.

While Shapiro has always had a good technical training program for its staff, we plan to elevate the training at Shapiro to new heights in 2007. Our new Director of People Strategy, Mary Miller, joined Shapiro in June 2006 and brings a broad training and development background. Incorporating her experience working with adult learners as an Adjunct Professor at the University of Virginia and other places, she will be reorganizing and expanding Shapiro's staff development programs.

Staff development falls into three areas. The first is the initial training which occurs when people first begin working for Samuel Shapiro & Company. This training includes a morning of company orientation, several days of systems orientation, and other training specific to the new employee's position. During this period, we place a strong emphasis on our expectation for excellent customer service.

The second area of training and development falls under the heading of continuing education. This training includes a variety of refresher courses and classes to help staff expand their technical knowledge. These classes cover items such as the annually required HAZMAT training, advanced entry processing, and other such industry-specific matters, including in house training for the Customs broker examination.

Finally, Shapiro understands that people bring different gifts and skills to the workplace. A person may be a great technician who also has the leadership qualities that we seek. In this instance, we may promote him or her to a supervisory role and need to develop the management skills. We will meet that goal in 2007 by offering a range of "management" classes, some of which will be mandatory. These course materials involve soft skills such as performance management, leadership, workplace communication, teamwork, and many others.

### **Shapiro's 2006 Seminar Program: A glance at a very successful year**

If you are a Samuel Shapiro & Company, Inc. customer, chances are you have attended one of our seminars this year. Samuel Shapiro & Company hosted four very successful seminars in 2006. Three out of the four seminars covered the popular Import Essentials Seminar curriculum in Hunt Valley, MD, Atlanta, GA, and Secaucus, NJ; the Automation & Recordkeeping seminar was held in Baltimore, MD this past summer.

The Import Essentials seminar program focused on what it takes to be a compliant importer. It covered important topics such as reasonable care, how to establish a compliance program, and C-TPAT. The seminar proved to be extremely valuable to the importing community as it touched on issues that importers must deal with on a daily basis. For example, 100% of attendees from all three Import Essentials seminars anticipated using the seminar materials sometime during the course of their logistics career. In addition, 97.5% of the Hunt Valley seminar attendees rated the seminar as

very good and excellent, while this rate was 100% for the Atlanta and Secaucus seminars.

Customer participation and interaction are the key components to every Samuel Shapiro & Company, Inc. seminar. Our Compliance Department is always looking for new seminar ideas from our clients as it tailors presentations based on real customer needs. “One of Samuel Shapiro & Company’s core values is ‘Strive to continually educate in the spirit of partnership, enduring relationships, and mutual growth,’” said Jane Taeger, Director of Compliance. “Our seminar series is an excellent example of partnering with our customers to educate them on their responsibilities as importers and exporters, all with the ultimate goal of strengthening their compliance programs.”

If you haven’t been a part of our seminar line-up in 2006, be on the lookout for exciting new programs in 2007! Please email [compliance@shapiro.com](mailto:compliance@shapiro.com) with seminar program suggestions and feedback. We hope to see you at a Samuel Shapiro & Company seminar soon!