"SHAP" TALK

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TRADE NEWS

A Report from the 2007 C-TPAT Conference

Samuel Shapiro & Company, Inc. attended the fifth annual C-TPAT Conference hosted by Customs & Border Protection (CBP) in New Orleans. 700 C-TPAT certified members gathered for training on the latest C-TPAT initiatives and to share best practices. The theme of the conference was "Supply Chain Security in a Post 9/11 Environment." The C-TPAT conferences are free and open only to C-TPAT certified companies. For more information on how to join C-TPAT, please consider attending one of Samuel Shapiro & Company, Inc.'s workshops this year (see below under Samuel Shapiro & Company, Inc. News), or contact us at consulting@shapiro.com.

Facts & Figures:

- 25.7 million containers entered the U.S. in 2006
- 90% of manufactured goods move by ocean container
- 45% of imports are by C-TPAT importers
- There are 6,764 certified C-TPAT members as of 3/30/07. 4,000 validations have been completed. There are 240 Tier III importers.
- 127 companies have been suspended or removed from the program due to smuggling incidents
- 113 companies have been suspended or removed from the program based on the validation visit
- 2 companies were removed from the C-TPAT program for mis-declaring textiles of Chinese origin as from another country

C-TPAT General Information:
With the passage of the SAFE Port Act, C-TPAT must expand to other business entities. Warehouses will be a significant addition since they are the entities receiving the containers and breaking the seals. Look for membership for warehouses and 3PL's to open up in June 2007.

CBP will continue to update minimum security criteria for all lines of business as the C-TPAT program evolves.

C-TPAT Benefits:
Customs announced a new C-TPAT benefit at the conference. If there are multiple containers on a bill of lading and one is selected for exam, CBP will allow the other containers to be pulled from the pier. The containers can be delivered to their destination, but must be held with the seal intact until the examination is complete. This benefit will save importers costly demurrage charges.

The conference included a session on C-TPAT cost benefits. CBP is in the process of conducting a membership-wide C-TPAT survey with the University of Virginia. The survey is looking at companies' motivations for joining C-TPAT, what costs have been incurred as a result of the program, and what benefits, tangible or intangible, have been realized. Do the benefits outweigh the costs? The survey is completely anonymous – only aggregate data is reported to CBP. Results will be published this summer.

Validations:
As a result of the SAFE Port Act passage, validations must occur within one year of certification. Re-validations will be conducted every three years (except for Mexican highway carriers who will be re-validated annually as they have the most smuggling incidents). Third party validations were also discussed for C-TPAT importers who source exclusively or who import a majority of their goods from China (about 300 importers in total). The purpose of the validation is to verify the profile and evaluate that it is effective. See our March 2007 Shap Talk for more information on C-TPAT validations.

10+2:
10+2 is a program under development to enhance CBP's targeting capabilities which should lead to fewer exams as Customs will be receiving new and earlier knowledge of the shipment parties and events (see our January 2007 Shap Talk for more information on this program). Importers will be required to report 10 additional advance trade data elements, and steamship lines will report the "+2" elements. At this time 10+2 is only for ocean shipments, and will be modeled with the same exemptions as those allowed for the 24 hour rule. 10+2 will allow CBP to more efficiently target high risk shipments.

Radiation Monitoring:
89% of arriving sea containers are scanned for radiation. This number will increase to 98% by year's end. One out of every 110 containers sets off CBP's radiation portal alarm. Most are benign – ceramics, marble, and glassware contain natural radiation which will set off an alert. However, CBP must take secondary action to make sure the container is safe.

Trade Resumption:
9/11 and Hurricane Katrina have forced the government into proactively developing a business resumption plan in the event of another incident, either manmade or natural. The policy of the government will be to keep the ports open with the exception of the affected port(s). The government needs a clear command and control structure with clarity, frequency, accessibility, and singularity in communications. The key is to minimize disruption to the flow of goods.

Trade disruption should be seen as inevitable, so companies need to take steps to manage their risk. Security needs to take a central role in a company's decision making to protect the brand and assets.

Other Presentations:
Other presentations included how to inspect container seals and how to detect a compromised seal, smuggling, cargo theft, manufacturing security, how to inspect a refrigerated container, how to inspect an air container, e-truck manifest, troubleshooting the C-TPAT web portal, post-incident analysis success stories, open

source intel and risk assessment, Secure Freight Initiative, international efforts with the WCO, trade security/nuclear energy controls, and a special invitation only session for Tier 3 C-TPAT members.

U.S. Department of Commerce Imposes Countervailing Duties on China

Countervailing duty (CVD) is assessed when a foreign country pays grants or subsidies to the manufacturer, producer, or exporter of goods in order to encourage exportation or to help the exporter compete in the U.S., AND there is injury or threat of injury to U.S. industry. The U.S. Department of Commerce announced on March 30, 2007, its preliminary determination to impose CVD on coated free sheet paper from China. This is a departure from Commerce's 23 year old policy of not applying CVD to non-market economies. A country in which chief economic decisions are imposed by the government and central planning rather than by free use of markets is considered a non-market economy.

Commerce explained there are vast differences between the characteristics of the non-market economies of the 1980's Soviet-bloc countries and China's economy today. Commerce Secretary Carlos Gutierrez stated, "The China of today is not the China of years ago. Just as China has evolved, so has the range of our tools to make sure Americans are treated fairly."

Commerce published its notice in the April 9, 2007 Federal Register. A final determination is expected on or about June 13, 2007. Commerce's decision could open the floodgates to more CVD cases against Chinese goods.

http://a257.g.akamaitech.net/7/257/2422/01jan20071800/edocket.access.gpo.gov/2007/pdf/E7-6498.pdf

EU Publishes Revised Retaliatory Sanctions Effective May 1st

On April 17, 2007, the European Union (EU) published in its *Official Journal* revised retaliatory sanctions on U.S. products being imported into the EU. These "smart sanctions," as the EU calls them, are to offset the amounts distributed to U.S. industry under the Byrd Amendment. These sanctions amount to an additional 15% duty on certain items effective May 1, 2007.

32 new products will be added to the list of products subject to the 15% additional import duty. Commodities such as paper products, furniture of plastics, textile products, pens, footwear and mobile homes have been added to the existing list of products already in effect.

The EU notes the level of retaliation will increase in 2007 to US$ 81.19 million from the US$ 36.91 million applied since May 1, 2006. This is a replication of an equivalent rise in payments to U.S. companies under the terms of the Byrd Amendment in 2006.

These sanctions do expect to be stopped once the U.S. stops the distribution of antidumping and countervailing duties collected to U.S. industry.

A list of products subject to an additional 15% import duty as of May 1st is available at. http://trade.ec.europa.eu/doclib/docs/2007/april/tradoc_134483.pdf

The Europa announcement out of Brussels dated April 17, 2007 is available at: http://ec.europa.eu/trade/issues/respectrules/dispute/pr170407_en.htm

The Export Enforcement Act (EEA) of 2007

The Export Enforcement Act of 2007 is a bill before Congress that would strengthen the enforcement authority of dual-use export controls through renewal of the Export Administration Act of 1979 (EAA) and enhancement of its law enforcement provisions. The EAA has been in lapse since 2001.

The Administration has been working with Congress since 2001 to reauthorize the Export Administration Act (EAA) in order to strengthen a vital national security apparatus. With the EAA in lapse, the dual use export control system has been continued by annual Executive Orders invoking the International Emergency Economic Powers Act (IEEPA).

Portions of this publication include:

The Administration Proposes Bill to Enhance Export Control Enforcement Authorities
Press Release
Fact Sheet
Proposed Text
Section-by-Section Analysis

Please visit the BIS website to view the Export Enforcement Act (EEA) of 2007 documents and press release: http://www.bis.doc.gov

New ICP on Agglomerated Stone Issued by CBP

In March 2007 U.S. Customs and Border Protection (CBP) issued a new informed compliance publication (ICP) entitled, "What Every Member of the Trade Community Should Know About: Agglomerated Stone." This publication, prepared by the National Commodity Specialists of Regulations and Rulings, provides guidance regarding the classification of artificial stone which is more commonly referred to as agglomerated stone.

Agglomerated stone is defined by CBP as consisting of natural stone uniformly bound or agglomerated with a binding material. The binding material in an agglomerated stone product can be plastics, cement, lime, etc. The stone can be in the form of pieces, chunks, pebbles, powder, etc.

An article is regarded as "agglomerated" when both components – binder and stone – run together throughout the body of the article. If one cuts into a product that is truly agglomerated stone at any point in the body of the article, one would consistently find both the components blended together. On the other hand, if one section of a product consists of plastics while another distinct section consists of stone, this item would not be regarded as agglomerated stone. If an article consists of different types of natural stone attached to each other with binding material forming a pattern, this conglomerated stone item could not be regarded as agglomerated stone, because the stone and the binding material are not blended together throughout the body of the article.

Following is a sampling of some of the sub-sections of this ICP:

- Stone material in agglomerated stone must be natural stone
- Derivation of purported stone material must be verified
- Percentage of stone vs. percentage of binding material in an agglomerated article
- Confusing terminology
- Laboratory analysis

In addition to these sub-sections, CBP outlines in this ICP the importer's responsibilities. The importer should understand the definition of artificial stone and not confuse plastic products with articles of agglomerated stone. In addition, the importer should be prepared to provide information regarding the foreign firm documenting the identity and percentages by weight of the purported stone material and the binding material. CBP may request precise information on the uses of the articles of the agglomerated stone imported into the U.S.

The information provided in this publication is for general information purposes only, states CBP. Recognizing that many complicated factors may be involved in Customs issues, an importer may wish to obtain a ruling under CBP Regulations, 19 CFR Part 177, or obtain advice from an expert such as a licensed Customs Broker. Reliance solely on the general information in this ICP may not be considered reasonable care. Should you wish to obtain a binding ruling on any product, please contact us at compliance@shapiro.com.

ICP on agglomerated stone available at:
http://www.cbp.gov/linkhandler/cgov/toolbox/legal/informed_compliance_pubs/icp88.ctt/icp88.pdf

U.S. International Trade Commission to Investigate Wood Flooring

The U.S. International Trade Commission (ITC) has announced an investigation of the competitive conditions affecting the U.S. wood flooring and hardwood plywood industries based on a request by the Senate Committee on Finance. The ITC will provide a report that contains an overview of the U.S. markets for solid and engineered wood flooring and hardwood plywood, and a description of the U.S. industries for wood flooring and hardwood plywood, and the industries of the principal countries (Canada, China, Brazil, Indonesia, Malaysia, and Russia) that supply the U.S. market. The ITC will examine U.S. trade patterns and analyze the factors affecting the competitive position of U.S. producers and the principal foreign suppliers to the U.S. market. The report will look at factors such as raw materials, illegal logging, technological capabilities, labor practices, environmental policies, government programs, and substitutes for wood flooring and hardwood plywood. The ITC's report will incorporate the views of industry, homebuilders, importers and other interested parties on developments in the supply of and the demand for wood flooring and hardwood plywood, including the effect of imports and substitutes for each product.

The ITC report is due by June 6, 2008. Interested parties are invited to submit written statements concerning the investigation by December 28, 2007. A public hearing will be held September 13, 2007 at the ITC in Washington, DC. Please refer to the Federal Register notice of April 20, 2007 and the ITC press release for information on filing a statement, the public hearing, and further details of the investigation: http://a257.g.akamaitech.net/7/257/2422/01jan20071800/edocket.access.gpo.gov/2007/pdf/E7-7540.pdf

ITC Press Release dated April 17, 2007:
http://www.usitc.gov/ext_relations/news_release/2007/er0417ee1.htm

House Bill Would Ban Sale of Imported Products Made in Sweatshop Factories

Legislation was introduced earlier this month to ban the U.S. sale of imported products made in sweatshop factories around the world. The bill is slated to impose a $10,000 fine for each violation as well as provide those who sell legitimately produced products the right to sue to recover damages from violators.

Recent problems with labor practices in Jordan underscore why this legislation is considered necessary. The U.S. free trade agreement with Jordan currently includes provisions designed to prevent violations of workers' freedoms, however, last year allegations surfaced of labor violations in Jordan's qualified industrial zones.

COMPLIANCE CORNER

Census Bureau Visits Shapiro to Glean "Best Practices"

We are pleased to announce that Samuel Shapiro & Company, Inc. was chosen by the U.S. Census Bureau, which is part of the Department of Commerce, as one of the companies "consistently meeting the required standards and demonstrating exceptional reporting patterns" as an Automated Export System (AES) filer, as stated in a pre-meeting letter, from William G. Bostic, Jr., the Chief of the Census Foreign Trade Division.

We had the distinct pleasure on April 25, 2007 of welcoming three visitors from the U.S. Census Bureau AES Review Team to observe how we process our export transactions, what type of training we perform, and other measures we take to ensure compliance with the various export regulations (Commerce is only one of multiple government agencies that regulate exports).

As stated in the April AES Newsletter, Census has a new AES Compliance Review Program and selected Shapiro to benchmark best practices based on our "exemplary export filing operation."

Census was quite impressed with our training materials, our automated systems, the problem codes we have in place to prevent transmission, our audit program, our customer outreach, and the organization of our compliance program. Census will be taking information from these processes to identify and develop industry best practices to ensure compliance and reporting accuracy, and to educate other companies that do not have adequate compliance measures in place.

Samuel Shapiro & Company, Inc.'s selection for this visit from U.S. Census demonstrates our excellence in and commitment to export compliance. For more information about AES filing on behalf of exporters or export compliance, please contact compliance@shapiro.com.

TRANSPORTATION NEWS

Did You Know That Shapiro Handles Freight out of Brazil

Did you know that Samuel Shapiro & Company, Inc. handles a great deal of freight out of Brazil? The company has teamed with Ocean Express—a progressive, technologically savvy and customer focused organization with offices in Porto Alegre, Caxias do Sul, Rio Grande, Itajai, Sao Paulo, and Fortaleza. Ocean Express shares the same values as Shapiro; immediate visibility at supply chain origin and customer satisfaction are primary to both companies. Ocean Express is fully integrated with Samuel Shapiro via an EDI interface. When bookings are made by Ocean Express in Brazil, they are automatically transmitted to the Shapiro Automation system making them immediately visible to customers via our Internet tracking and reporting products.

The export market out of Brazil and into America is changing. Maersk Line's decision to eliminate its service to the U.S. east coast from Brazil will effectively remove approximately 2,000 TEUs per week from the market. This will result in reduced space availability and increased freight costs from Brazil of approximately \$200 to \$300 per TEU. Shapiro and Ocean Express are actively working with the remaining carriers to procure space and secure the most modest price increases possible.

For further information, or to arrange a booking from or to Brazil, please contact us at southamerica@shapiro.com.

Transportation Update – May 2007

Far East

Space Issues

Expect delays with all carriers for imports out of Asia to the U.S. until May. Sears, Wal-Mart, and Target are taking up most of the space on the vessels due to the news that a General Rate Increase (GRI) is due on May 1, 2007. They are rushing to save money on their transportation costs, so this will affect the entire importing community.

TSA Announces Rate Forecast for 2007-2008 for Trans-Pacific Import Trade

The Transpacific Stabilization Agreement (TSA) which comprises the major carriers in the Trans-Pacific Trade (APL, CMA, COSCO, Evergreen, Hanjin, Hyundai, K-Line, Mitsui, NYK, and OOCL) recently released a report to announce price increases for the coming year.

TSA reports that on average, the carrier's total cost increased by 7% in 2006, yet the rate in the trade had decreased somewhat over that same year; resulting in reported losses for most of the carriers. The carriers saw their rail and truck costs increase by a full 25% in that same period. Due to record volumes of imports, unprecedented volumes of containers had to be re-positioned to accommodate the requirements of the customers.

Due to the increased costs on the carriers, the TSA has announced that importers can expect price increases of roughly $150/FEU for shipments bound to U.S. West Coast ports; $350/FEU for inter-modal shipments bound for the U.S. interior; and $400/FEU for U.S. East Coast (direct) port bound cargo. At this time, neither shippers nor carriers are rushing to sign the new contracts and most contracts expire on April 30, 2007.

South America

Space and Equipment issues in Brazil

Due to Maersk discontinuing service in Brazil, there are now space and equipment issues. This is not affecting all ports, but primarily Santa Catarina and São Francisco de Sul. The space issues are with MSC and Hanjin. Since MOL is using MSC's service, it, too, is having space issues. Hamburg Sud uses CSAV's service and there are space issues with them as well. The equipment issues tend to be with Hanjin. There are no concerns at this time with containers out of Rio Grande do Sul or Santos.

TACA announces Rate Increase

Trans-Atlantic Conference Agreement has announced plans to raise tariff rates effective April 1, 2007. This is to offset the decrease in rates last year. The current rates are unsustainable in relation to the level of service required. The rates on westbound traffic from Northern Europe to U.S. Atlantic, Gulf and Pacific ports will increase $320.00 for 20' and $400.00 for 40' and 45' containers. Maersk, MSC, ACL, NYK and OOCL are the members of TACA.

India

India is a growing region for both import and export. OOCL and Evergreen have just opened lanes to and from this region. We are getting very competitive rates now from that region and our business should grow significantly.

The Jawharalal Nehru Port Trust is planning to build a fourth container terminal at Mumbai that will handle 600,000 TEUs. This is planned to open in 2008. Approval for the project and bids for the construction of the new terminal are in the works now.

Domestic Cargo

Under NAFTA terms and with a push from the Bush Administration, a pilot program to run for a year seeks to allow Mexican trucks, like their Canadian NAFTA partners, to move beyond a 20-25 mile restricted area at the border and deliver freight to U.S. customers.

Air Cargo

Airfreight volumes are down due to high fuel costs and increased competition in sea freight. There was an increase in January, but still not any significant growth. The Middle East, according to the International Air Transport Association, had the strongest growth. IATA still expects airfreight to improve in 2007.

SAMUEL SHAPIRO & COMPANY, INC. NEWS

News from our New York Office

The U.S. Fish and Wildlife Service has increased the number of inspectors at JFK from 7 to 13. The recent additions are now in training and should be active within the next month. Fish and Wildlife has been understaffed at this port for quite some time. The examination of cargo was held up for days due to a lack of manpower. Importers were forced to pay increasing storage charges at the airlines. The addition of these inspectors should help to eliminate the examination backlog and get F&W back on track.

As information, Shapiro's New York office is located directly across the hall from Fish & Wildlife which can save our clients time in obtaining clearance. This allows us to save at least half a day on the clearance of merchandise subject to F&W review, which in turn saves you costly storage charges at the airline terminals.

This is Your Chance to Become a C-TPAT Member and Save Thousands

Have you registered for the C-TPAT workshop yet? Don't miss out on this one-of-a-kind seminar that will empower you to handle your company's C-TPAT application and save thousands!

If you want to become a member, but you are not sure how to get started, this is the workshop for you. We will show you what information should be included in your security profile and help you navigate through the Customs C-TPAT portal. And better yet, if after the workshop you decide that you still need assistance with your C-TPAT application, Shapiro will deduct your seminar fee from our C-TPAT proposal.

Samuel Shapiro & Company, Inc. is kicking off its 2007 C-TPAT workshop series on Thursday, May 3, 2007, from 9:00 a.m. to 3:00 p.m., at the Four Points by Sheraton - BWI Airport. The next workshop will take place on June 14, 2007, from 9:00 a.m. to 3:00 p.m., at the Down Town Club in Philadelphia, PA. Shapiro will also host a C-TPAT workshop in Atlanta, GA in October 2007; date and location to be announced.

The C-TPAT workshop will provide importers with the tools to effectively evaluate the security of their supply chains, analyze the results, communicate with business partners, and develop improvement plans. We will supply you with step-by-step instructions plus the materials to create your own security profile and application for admission to C-TPAT!

Seminar Locations:

May 3, 2007
Baltimore, MD
Four Points by Sheraton - BWI Airport
7032 Elm Road
Baltimore, Maryland 21240
Hotel Phone: (410) 859-3300

June 14, 2007
Philadelphia, PA
Down Town Club in Philadelphia, PA
6th & Chestnut Streets
Philadelphia, PA 19106
Hotel Phone: (215) 925-2040

October 2007
Atlanta, GA
(Exact date and location to be announced)

Cost (includes seminar materials, lunch, and refreshments):
$450 per person

Register today!
http://www.shapiro.com/html/SeminarCTPATWorkshop3May2007.html

If you have any questions or would like to register by phone, please contact compliance@shapiro.com or 800-695-9465, ext. 290.

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.