



“SHAP” TALK

March 2010 Issue No. 95

In this issue:

TRADE NEWS

Lacey Act Reminder

FDA’s New Strategy for Food and Medical Product Safety

TSA Certified Cargo Screening Program Seminars

U.S. International Trade in Goods and Services Highlights

C-TPAT 2009 Accomplishments

Why the Taiwan Relations Act of 1979 Matters in 2010

2010 Census: Do Your Part!

TRANSPORTATION UPDATE

March 2010 Update

SAMUEL SHAPIRO & COMPANY, INC. NEWS

Employee of the Month

WE WANT TO HEAR FROM YOU!

TRADE NEWS

Lacey Act Reminder

The next implementation phase for the Lacey Act takes effect April 1, 2010. Below is a list of the tariff items that will be subject to the Lacey Act declaration. The declaration must include the scientific name (genus and species) of the plant, the value of the imported product, quantity, and the name of the country from where the plant was harvested.

Phase IV – April 1, 2010 – August 31, 2010

HTS Chapter 44 (wood & articles of wood) headings:

4421 – other articles of wood

HTS Chapter 66 (umbrellas, walking sticks, riding crops) headings:

6602 – walking sticks, whips, crops

HTS Chapter 82 (tools, implements) headings:

8201 – hand tools

HTS Chapter 92 (musical instruments) headings:

9201 – pianos

9202 – other stringed instruments

HTS Chapter 93 (arms and ammunition) headings:

9302 – revolvers and pistols

9305.10.20 – parts and accessories for revolvers and pistols

HTS Chapter 94 (furniture, etc.) headings:

9401.69 – seats with wood frames

HTS Chapter 95 (toys, games, and sporting equipment) headings:

9504.20 – articles and accessories for billiards

HTS Chapter 97 (works of art) headings:

9703 – sculptures

Plus Phases II and III

Please see our September 2009 Shap Talk for the complete Lacey Act listing.

<http://www.shapiro.com/docs/ShapTalk/ShapTalk89.pdf>

The U.S. Department of Agriculture's Animal and Plant Health Inspection Service (APHIS) has posted a Lacey Act Primer on its website.

http://www.aphis.usda.gov/plant_health/lacey_act/downloads/LaceyActPrimer.pdf

The main page on the APHIS website for Lacey Act information is:

http://www.aphis.usda.gov/plant_health/lacey_act/index.shtml

FDA's New Strategy for Food and Medical Product Safety

On February 4, 2010, the Food and Drug Administration (FDA) outlined its new supply chain approach for ensuring food and medical product safety. The strategy

allows the FDA to take a preventative approach by establishing controls throughout supply chains and production processes.

The strategy includes:

- Controls at the point of production including shared responsibility among manufacturers, and national and global regulatory agencies.
- Mutual cooperation with foreign suppliers, manufacturers, and regulators to ensure safety oversight in export markets by establishing offices in foreign countries. The FDA currently has permanent offices in China, Costa Rica, Mexico, Chile, and India, and is working on establishing future offices in other countries. The FDA also has over 30 agreements with foreign governments to share reporting of information to assist the FDA in making decisions about foreign product safety before importation.
- Holding importers responsible for their supply chain safety by requiring them to demonstrate that they have standards and best practices in place. Companies that sell contaminated products as a result of insecure supply chains will be assessed penalties.
- The nationwide deployment of the Predictive Risk-Based Evaluation For Dynamic Import Compliance Targeting (PREDICT) program by spring of 2010, which will allow the FDA to monitor products and to complete import inspections more efficiently for those products that are of the highest risk. PREDICT uses a variety of criteria to rank shipments according to risk. It also provides lower risk scores on products determined to be safe based on product histories and labeling allowing for quicker FDA clearances.

In summary, the FDA wishes to improve accountability by moving from an approach which reacts to problems and safety issues through FDA inspections to an approach that proactively prevents safety issues from occurring by identifying issues at our borders or at foreign facilities.

The FDA Commissioner's speech can be viewed in its entirety by visiting the FDA website at: www.fda.gov/NewsEvents/Speeches/ucm199926.htm.

TSA Certified Cargo Screening Program Seminars

TSA is currently inviting the air cargo community to participate in free webinars on the Certified Cargo Screening Program. Below is a brief description of the program and what is expected in domestic and export airfreight in August 2010. Here is the schedule below with a link to register for the seminars.

Atlanta 6/30
Austin 3/17
Boston 7/7
Chicago 6/2
Dallas 4/21

Minneapolis 5/19
Philadelphia 5/5
Pittsburgh 3/24
Rochester, NY 4/14
St. Louis 3/11

Denver 5/26
Detroit 6/9
Kansas City 6/23
Los Angeles 6/16

Salt Lake City 5/12
San Francisco 4/28 and 4/29
Seattle 4/7
White Plains, NY 3/3

To register for any of these meetings, please go to <http://www.surveymonkey.com/s/Z2QJBDX>

The 911 Commission Act of 2007 requires that **100%** of all cargo on passenger aircraft must be screened **effective August 3, 2010**. No funding was set aside by Congress in order to accomplish the 100% screening. Needless to say, the 100% mandate is and has been very challenging to the air cargo community.

In order to accommodate the 100% screening requirements, TSA created the Certified Cargo Screening Program (CCSP) as a voluntary solution to help industry meet the 100% screening mandate. The CCSP is a facility-based program for supply chain entities located within the United States. Facilities that successfully apply for and participate in the CCSP program will be designated as Certified Cargo Screening Facilities (CCSFs) and must adhere to TSA-mandated security standards. Any facility that tenders cargo directly to an air carrier or indirect air carrier (IAC) may apply to become a CCSF. This includes:

- Manufacturers
- Warehouses
- Distribution Centers
- Third Party Logistics Providers
- Indirect Air Carriers
- Airport Cargo Handlers
- Independent Cargo Screening Facilities

If you feel your air export or domestic air volume justifies in-house screening, please contact TSA at CCSP@DHS.gov to inquire how to start the application process. This involved process includes Security Threat Assessments for all personnel handling cargo, site inspection, and review by TSA or an independent contractor. There are definitely costs associated with this program and TSA can advise all details in depth.

A list of Frequently Asked Questions can be found on the TSA website: http://www.tsa.gov/what_we_do/tsnm/air_cargo/resources.shtm

Our June Shap Talk article *Transportation Security Administration Certified Shipper Program* can be accessed on the Shapiro website at: <http://www.shapiro.com/docs/ShapTalk/ShapTalk87.pdf>

For additional information on the Certified Cargo Screening Program, please visit <http://www.tsa.gov/ccsp>

U.S. International Trade in Goods and Services Highlights

The U.S. Census Bureau and the U.S. Bureau of Economic Analysis, through the Department of Commerce, announced February 10, 2010, that total December exports of \$142.7 billion and imports of \$182.9 billion resulted in a goods and services deficit of \$40.2 billion, up from \$36.4 billion in November. December exports were \$4.6 billion more than November exports of \$138.1 billion. December imports were \$8.4 billion more than November imports of \$174.5 billion.

The Nation's international trade deficit in goods and services decreased to \$380.7 billion in 2009 from \$695.9 billion in 2008. See chart below for 2005-2009 figures.

For 2009, exports of \$1,553.1 billion and imports of \$1,933.7 billion resulted in a goods and services deficit of \$380.7 billion, \$315.3 billion less than the 2008 deficit of \$695.9 billion. For goods, exports were \$1,045.6 billion and imports were \$1,562.5 billion, resulting in a goods deficit of \$517.0 billion, \$323.3 billion less than the 2008 deficit of \$840.3 billion. For services, exports were \$507.5 billion and imports were \$371.2 billion, resulting in a services surplus of \$136.3 billion, \$8.0 billion less than the 2008 surplus of \$144.3 billion.



The full report on U.S. International Goods and Services on the Foreign Trade Website of the census Bureau can be viewed at:

<http://www.census.gov/indicator/www/ustrade.html>

C-TPAT 2009 Accomplishments

U.S. Customs and Border Protection (CBP) has published its 2009 accomplishments for the Customs-Trade Partnership Against Terrorism (C-TPAT) program. Most striking is the continued growth of C-TPAT which began in 2001 with seven companies and grew by 1,237 new members in 2009 to a total 9,617 members. The 2009 growth was an increase of 9% over 2008.

Customs conducted 3,420 validations, two thirds of which were re-validations. A company is validated within its first year of C-TPAT membership, and will be re-validated approximately every three years thereafter. Southern Border highway carriers are re-validated on an annual basis due to the higher security risk associated with southern border crossings.

An update to the 2006 Best Practices catalog was published and introduced at the 2009 annual C-TPAT conference. The Addendum contains more best practice information gleaned from over 8,000 C-TPAT validation visits to importers, carriers, brokers and forwarders, and foreign manufacturers.

As a reminder, C-TPAT members receive up to 50% Importer Security Filing (ISF or 10+2) penalty mitigation consideration.

If you are interested in joining C-TPAT, please contact us at consulting@shapiro.com.

Why the Taiwan Relations Act of 1979 Matters in 2010

With the stormy business complications of Chinese New Year and the current inhospitable climate in ocean and air carrier negotiations out of China, it is easy to lose sight of ominous political clouds on the horizon, potentially poised to foul U.S.-China relations. The stakes could not be higher as the two global powers have become economically dependent on each other, but the fact remains that there are many foreign policy triggers for political conflict. The clear concern is that political conflict can lead us down the path to economic conflict.

The most recent trigger for political tension is the January announcement of a U.S. sale of 6B in arms to Taiwan. U.S. administrations are legally bound to help Taiwan protect herself under the Taiwan Relations Act of 1979. And, as we all know, China has been aggressively pressing a Taiwan policy described as “peaceful reunification” while heavily arming itself with missiles pointed directly at...yes, Taiwan. After the U.S. arms announcement, China announced that it would suspend discussions with the U.S. and U.S. firms (like Boeing) about Chinese military purchase contracts. It was unclear if civilian purchases from companies like Boeing were also in jeopardy, but it stands to reason that economic retaliations from both sides are a possibility. Having

weathered the economic downturn of 2008 much better than the West, China is testing its current strength and testing the policy resolve of a new U.S. administration.

Just in case you are not yet alarmed about the real possibility of disruptions to your carefully designed supply chain, you should glance on your map to the left of Taiwan and locate Tibet and then glance to your far left and locate Iran. Tibet continues to be a sore spot in Sino-American relations, and the Dalai Lama just visited the U.S. in February. China warned President Obama that they would be none too pleased should he even meet with the Dalai Lama who was ushered out of the White House through a back door in order not to offend China. And, then we have Iran. China is highly dependent on Iran for its huge manufacturing energy needs, and Iran's relative proximity to China lowers the total cost of that energy in comparison to alternatives. The U.S. is adamantly opposed to Iran's nuclear weapons programs and is leading global resistance to those programs. Look out.

You, the American importers and exporters, are addicted to the low cost and abundance of Chinese goods. We, the Customs brokers and freight forwarders, are addicted to the steady stream of cargo heading to U.S ports (and to an extent *from* U.S. ports). We must all keep our eyes fixed on the big picture for U.S.-China relations and prepare our businesses for the inevitable (hopefully only occasional) rough seas. It behooves us to become more educated about other sources and markets for our products before we are forced to do so. It behooves us to "make friends" with U.S. governmental trade resources. It behooves us to build stronger networks for the efficient flow of cargo outside China so that we are prepared to stay healthy if trade sanctions erupt out of the current political tension. Most importantly, we need to work together to communicate our unique view of the global trade and to educate each other so that we are prepared for whatever climate we may face in China...in Taiwan...in Tibet...in Iran...and here at home.

2010 Census: Do Your Part!

On February 17th, the Automated Export System (AES) sent the following AES Broadcast which we have reprinted at their request below:

Please help us spread the word about the 2010 Census. Counting everyone in a country as large and diverse as the United States is a significant challenge. Therefore, we are harnessing every avenue and channel possible to get the word out about the all-important 2010 Census. And, here's where your knowledge and participation can help us deliver to America's residents another successful census that will benefit communities across America.

Please visit our innovative 2010.census.gov website to learn about the 2010 Census and better understand its importance to your community.

In March you will be able to access the following: see your community's 2000 Census participation rate on the "Take 10" Participate Rate interactive map; compare your

2000 rate with the previous day's 2010 participation rate for your community or neighboring communities' rates; view the participation rates of their family's or friends' communities across the nation; also for those who need help with their census form, look up the Be Counted and Questionnaire Assistance Centers nearest you.

P.S. Just learn two key messages to share with those who ask you about the 2010 Census: It's easy, important, and safe. It's 10 questions, 10 minutes, and only once every 10 years. Inform your professional networks, friends, and family:

Connect with the Census Bureau on Facebook, Twitter, and Youtube and type in uncensusbureau to follow the buzz. Read [2010 Census Blog](#), connect with us on [Facebook](#), [Twitter](#), and [Youtube](#), or visit our [2010 Census Site](#). Together, we can make a difference in growing the rates of participation in the 2010 Census.

Thanks for your help.

For questions on the 2010 Census, please call (800)923-8282. For a complete list of contacts, please go to: <http://2010.census.gov/2010census/contact/index.php>

TRANSPORTATION UPDATE

March 2010 Update

Last year: lack of cargo. This year: Lack of capacity and higher rates

Due to surge in demand on vessel space in January and February, the freight rate levels have recovered faster than anticipated by the carriers. Spot rates from Shanghai to the U.S. West Coast have risen 17 percent and the rates to the U.S. East Coast have risen 26 percent since the beginning of the year. This higher demand before the onset of Chinese New Year from February 13 to February 19 did not cease after Chinese New Year was over. The higher demand comes on the heels of a time when carriers reduced capacity in the Asia to USA trade in favor of increasing capacity to the Asia to Europe trade where the rate levels have been much more favorable for the carriers in their quest to become profitable again.

It is important to note that the rate increases will not stop after Chinese New Year. Our partners in China tell us that the manufacturers are reporting stronger than normal orders and there are large backlogs in production as they simply cannot manufacture the cargo fast enough to meet demand. After Chinese New Year, our agents reported that factories returned back to work much earlier than normal. This will cause the carriers to remain overbooked after Chinese New Year, which is different than any previous years. The traditional "slack season" after Chinese New Year seems to have disappeared this year. In addition, exports from the USA to China are strong in preparation for the World Expo in Shanghai beginning in May and westbound ships are even more overbooked so rate levels have been edging up for exporters as well.

Importers have revised their contract rate levels to a higher level in hopes that committing to higher rate levels will result in increased space allotments for their cargo. Carriers are expected to force rate increases as of May 1 as much as \$800 per 40' container from Asia to the U.S. West Coast and \$1000 per 40' container from Asia to the U.S. East and Gulf Coasts.

In light of the current situation it is absolutely crucial that all importers and exporters plan for their cargo to be shipped well in advance. These are times where flexibility is very important. It is very possible that we may not be able to find space within required time frames on specific carriers, so backup carriers will often be required in order to meet space requirements. It is advisable to give 3 to 4 weeks advance notice for upcoming bookings and it is even more important than ever to keep the lines of communication open so that we are aware of upcoming volume requirements.

Airfreight:

2010 is no time to celebrate in the Air freight industry, yet there are finally some reasons for optimism. With the recent decrease in carrier capacity for ocean freight, many importers have resorted to shipping by airfreight to meet inventory demands. The Asia-Pacific air carriers are accounting for more than 60 per cent of the increase in the total international air freight market while European carriers remain at 20 per cent below 2008 peak levels before the economy slid downward.

Ocean Freight:

Carriers resort to “slow steaming” to push demand on space upward

U.S. Exporters to Asia are not only being squeezed on space capacity as they already deal with vessels overbooked from three to as much as eight weeks out, but to make matters worse for them the carriers are deliberately slowing down their speeds. In effort to increase demand on space and to drive rates up carriers are slowing down the speed of their vessels from the U.S. to Asia. Import cargo is also being “slowed down” for the same reasons and the average transit time currently being experienced for import cargo from Asia is taking an extra one to three days depending on the trade lane and carrier used. This comes at a time when the nation’s retail volumes are expected to increase 25 percent over last year’s weak levels.

General Rate increases (GRIs) are not only an Asia issue

Here are some examples of GRIs affecting multiple trade lanes:

MSC announced a GRI of \$400/20' and \$500/40' from Greece, Turkey, Bulgaria, Georgia, South Russia, and Ukraine to the USA effective April 1, 2010

MSC announced a GRI of \$100/20' and \$200/40' from US West Coast and intermodal points and \$150/20' and \$200/40' from US East and Gulf Coasts for exports to all points in the Far East effective March 15, 2010.

ACL announced a GRI of \$250/20' and \$400/40' for all imports and exports to and from Europe/United States effective April 1, 2010.

Hamburg Sud announced a GRI of \$300/20' and \$400/40' for all cargo from Europe to the United States effective April 1, 2010.

Mistui OSK Lines (MOL) announced a GRI effective March 3, 2010 of \$400/20' and \$500/40' for Europe to USA and \$300/20' and \$400/40' from USA to Europe.

APL announced GRIs for all trade lanes effective March 1, 2010. Please ask your Shapiro representative for details.

Evergreen has announced a GRI effective March 1, 2010 from USA ports to Europe at \$300/20', \$400/40'.

Matson Navigation has announced an Emergency Revenue Charge effective March 5, 2010 from Asia to the USA at \$520/20', \$600/40', \$650/40'HC, and \$705/45'.

China Shipping has announced a 2nd Cost Recovery Program effective March 5, 2010. In addition to the increases levied on February 15th, China Shipping will charge an additional surcharge of \$240/20', \$300/40', \$340/40'HC, and \$380/34' on March 5th.

Hapag Lloyd announced a GRI effective April 1, 2010 from USA to the Indian subcontinent and the Middle East in the amount of \$240/20' and \$300/40'. Also they will increase rates from the U.S. to East Asia \$400/20' and \$500/40'.

Hapag Lloyd announced a rate increase to and from N. Europe/USA and the Mediterranean to USA ports by an additional \$320/20' and \$400/40' as of April 1, 2010.

Evergreen announced its new BAF levels from Asia ports to the USA as of April 1, 2010 to be \$294/20', \$368/40', \$414/40'HC, and \$446/45 to US West Coast and inland rail locations, and \$582/20', \$727/40', \$818/40'HC, and \$920/45' from Asia to US East Coast Locations.

MSC Announces new port call for Europe cargo

Effective March 1, 2010, MSC will call Port Everglades, FL direct for sailings to Europe. Transit time to Le Havre is only 10 days; 12 days to Bremerhaven, 14 days to Felixstowe, and 15 days to Antwerp.

Long Beach launches \$3 billion Port Expansion

Now that the new clean-air initiatives have quieted environmentalists in Southern California, Long Beach will begin \$3 billion in capital construction aimed at protecting the port's share of business in face of competition from other ports. They plan to enlarge marine terminals, build a taller and wider bridge, and expand its on-dock rail capacity.

DOMESTIC

A recent \$15 billion bill designed to stimulate job creation through employer tax breaks and credits aims to extend federal funding for expanded highway and transit programs to help the nation's overloaded highway and rail systems become more efficient to handle future demands.

SAMUEL SHAPIRO & COMPANY, INC. NEWS

Employee of the Month

As previously featured in "Shap" Talk, Samuel Shapiro & Company, Inc. 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 Liz Gant, Compliance Analyst, for her outstanding performance and contributions.

We encourage you to provide us with employee feedback! 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.