Samuel Shapiro & Company, Inc.

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"SHAP" TALK

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TRADE NEWS

Customs Establishes a New Office of Trade

Customs & Border Protection has announced the creation of a new Office of Trade that will consolidate its trade policy, program development, and compliance measurement functions into a single office. Currently, the functions of trade policy and program development are split among the Office of Strategic Trade, the Office of Regulations and Rulings, and the Office of Field Operations. The Office of Trade officially kicks off October 15, 2006, and will provide greater consistency within CBP with respect to its international trade programs and operations. CBP says the new Office of Trade will enhance CBP's ability to facilitate the flow of legitimate trade while securing our borders and protecting the U.S. economy from unfair trade practices and illicit commercial enterprises.

The Office of Trade will develop national trade policies and programs that will guide the work done by CBP officers in the ports of entry. It will also be responsible for directing national enforcement responses through effective targeting of goods crossing the border as well as strict, swift punitive actions against companies participating in predatory trade practices. The office will deal with textile admissibility issues, enforcement of free trade agreement eligibility, and enforcement of intellectual property rights. The Office of Trade will be conducting corporate reviews of internal controls to ensure importers comply with trade laws and regulations, and will be responsible for the issuance of CBP regulations, binding rulings, and informed compliance publications.

CBP Commission Ralph Basham remarked, "The creation of the Office of Trade underscores CBP's strong conviction that partnerships and outreach are necessary to facilitate legitimate trade and to effectively enforce trade laws."

The CBP press release is available at:
http://www.cbp.gov/xp/cgov/newsroom/news_releases/09132006.xml

U.S. ITC issues "Year in Trade" 2005 Report

The U.S. International Trade Commission (ITC) announces its annual overview of U.S. trade related activities. The ITC's "The Year in Trade" is one of the government's most comprehensive reports of U.S. trade- related activities, covering major multilateral, regional, and bilateral developments.

The ITC is an independent federal agency determining import injury to U.S. industries in antidumping, countervailing duty, and global and China safeguard investigations; directing actions against unfair trade practices involving patent, trademark, and copyright infringement; supporting policymakers through economic analysis and research on the global competitiveness of U.S. industries; and maintaining the U.S. Harmonized Tariff Schedule.

The 2005 Year in Trade publication provides a practical review of U.S. international trade laws, a survey of actions under U.S. trade laws, a summary of the operation of the World Trade Organization (WTO), an overview of U.S. free trade agreements and negotiations, and a review of U.S. bilateral trade relations with major trading partners.

The report includes complete listings of antidumping, countervailing duty, safeguard, intellectual property rights infringement, and section 301 cases undertaken by the U.S. government in 2005.

In addition, the 2005 report also covers:

- the operation of the U.S. Generalized System of Preferences, the African Growth and Opportunity Act, the Andean Trade Preference Act, and the Caribbean Basin Economic Recovery Act;
- U.S. textile and apparel imports and developments in textile and apparel trade with selected partners;
- significant activities in the WTO, including its dispute settlement mechanism; the Organization for Economic Cooperation and Development; and the Asia-Pacific Economic Cooperation forum;
- developments in U.S. free trade agreements, including agreements concluded in 2005 with Oman, Peru, and Colombia; negotiations for the Free Trade Area of the Americas; and activities under the North American Free Trade Agreement; and
- bilateral trade issues with major U.S. trading partners the European Union, Canada, China, Mexico, Japan, Taiwan, Korea, India, and Brazil.

The 2005 Year in Trade Report is available on the ITC website at:
http://hotdocs.usitc.gov/docs/pubs/332/pub3875.pdf or on CD-ROM and in print; call 202-205-2000 for more information.

Port Security Improvement Act Gets Senate Approval

The Senate has passed the Port Security Improvement Act, which spotlights improving the security of U.S. ports as well as cargo container processing. The bill, which included several amendments, will now be compared with the House version before it can be forwarded for presidential signing.

A proposed amendment requiring 100% scanning of all U.S.-bound containers was defeated. Instead, an agreement was added calling for the Department of Homeland Security (DHS) to establish a pilot program at three foreign seaports in an effort to analyze the usefulness of 100% scanning. The DHS will report on the standing of the test program 120 days after it is implemented as well as at six month intervals. The objective is to install an integrated scanning procedure as soon as it is feasible without a disruption to trade.

Other provisions of the bill include the following:

• $400 million authorized for port security grants;

• $850 million authorized for the Container Security Initiative, the Customs-Trade Partnership Against Terrorism and the Automated Targeting System;

• A DHS requirement to develop a strategic plan to enhance supply chain security, minimum standards for container security, and protocols for the resumption of trade in the event of a security incident or a disruption to trade at seaports;

• DHS may request the submission of additional data related to the importation of cargo to improve targeting of high-risk shipments;

• Establishment of minimum security criteria for participation in C-TPAT, as well as the benefits associated with each of the program's three levels;

• A requirement for DHS to study the need for and feasibility of ocean-borne and port-related user fees to be collected for funding port security improvements;

• A requirement for all federal agencies that require documentation for clearing or licensing the importation and exportation of cargo to participate in the International Trade Data System (contains certain exceptions);

• Installation by DHS of radiation portal monitors at the 22 largest U.S. ports by the end of 2007;

• U.S. Customs and Border Protection to complete a resource allocation model to determine optimal staffing by June 2007.

DSP 5 License Applications

In an effort to continue the phase out of ELLIE (Electronic License Entry System) and ROBB (Remote Online Bulletin Board), the Directorate of Defense Trade Controls (DDTC) under the Department of State issued a release to the industry advising effective October 12, 2006, all electronic DSP 5 license applications (permanent export of defense articles) must be submitted through D-Trade. D-Trade is the totally electronic defense trade licensing system that became fully operational in March 2003.

D-Trade enables users to submit license applications and supporting documentation and retrieve completed licenses over the internet using specialized Public Key Infrastructure security access controls. It is secure, reliable, and responsive according to the Department of State.

As this deadline approaches, DDTC is making a concerted effort to ensure that industry users have the necessary preparation and tools to submit licensing applications to D-Trade. DDTC has provided the industry the opportunity to attend several training seminars on D-Trade, which have been offered throughout the United States. DDTC is discouraging use of paper filing and we believe that anything filed by paper will not receive the same processing time as the applications filed through D-Trade.

For more information on D-Trade, please refer to the DOS website at: http://www.pmdtc.org/sl_dtrade.htm. A copy of the memorandum advising the above for users of the ELLIE and ROBB systems issued by the Department of State, can be found at: http://www.pmdtc.org/memorandum.htm

Under Valuation of U.S. Exports

U.S. Immigration and Customs Enforcement (ICE) announced that ICE agents in Miami and Brazil have teamed up with Brazilian authorities to target a scheme involving the under valuation of U.S. exports to Brazil to evade more than $200 million in Brazilian customs duties over the past five years. The scheme involved tax evasion, document fraud, public corruption and other illegal activities in Brazil and the United States. This involved the under valuation of U.S. exports to Brazil of electronics equipment, computer and telecommunications equipment, tires, orthopedic equipment, surgical gloves, fruits, plastic bottles, fabric and clothes, batteries, vehicles and motorcycles, vitamins and dietary supplements, and perfumes. As you can see, they did not target one particular industry. This investigation was all inclusive and wide-ranging.

Brazilian authorities executed 128 arrest warrants that netted the directors and owners of several large Brazilian companies that distributed imported electronics, as well as several federal and state Brazilian government officials. In support of the operation, ICE agents in Miami, assisted by Brazilian authorities, conducted consent searches at two warehouses and one residence in Miami controlled by Brazilian businessmen under scrutiny in the joint Brazilian-U.S. investigation. The searches resulted in the seizure of approximately $500,000 in goods slated for export to Brazil in the fraudulent under valuation scheme.

The enforcement actions stemmed from "Operation Deluge," a lengthy investigation conducted by Brazilian authorities with assistance from the ICE Attaché in Brazil and the recently-formed Trade Transparency Unit in Brazil. In March 2006, ICE teamed up with the government of Brazil to create the Trade Transparency Unit (TTU) to combat trade-based money laundering and other financial crimes in Brazil and the United States

The Trade Transparency Unit or TTU is a program that ICE, in cooperation with the U.S. Departments of State and Treasury, started in March of 2005. This initiative is designed to protect the integrity and security of the U.S. economy by targeting and eliminating systemic vulnerabilities in commercial trade and the financial and transportation sectors susceptible to exploitation by criminal and terrorist organizations. ICE will form partnerships with participating foreign governments to establish a network of TTU's. The United States and foreign governments will create dedicated enforcement units to detect discrepancies or anomalies in international trade data, which may be indicative of trade-based money laundering or other criminal activities. ICE has developed an analytical database called "Data Analysis and Research for Trade Transparency" (DARTT), which is designed to detect and track money laundering, contraband smuggling and trade fraud to assist TTU units that are being established in various countries.

This initiative should have all U.S. exporters looking very closely at their operations and controls to ensure the reported value of their exports to the Department of Commerce, the invoice submitted to their foreign customer, and the price paid by the customer all match.

Under the U.S. Foreign Trade Regulations (FTR), exporters are obligated by law to provide the true and correct value of their export transaction to the Department of Commerce. The FTR states in Section 30.7 that the value is the selling price (or cost if not sold) including inland freight, insurance, and other charges to the U.S. port of export. For more details about the reporting the value of the Shipper's Export Declaration or the Electronic Export Information as it is referred to now, refer to the Census website at: http://www.census.gov/foreign-trade/regulations/regs/30.7.html

U.S. exporters must also take into consideration the Sarbanes-Oxley Act which holds a company responsible for financial accounting oversight.
http://en.wikipedia.org/wiki/Sarbanes-Oxley_Act

For a copy of the ICE Press Release dated August 18, 2006, please refer to the U.S. Immigration and Customs Enforcement website at:
http://www.ice.gov/pi/news/newsreleases/articles/060818dc.htm

We can certainly see that the Trade Transparency Unit initiative is very attractive to foreign governments and we can expect more joint investigations and probes into U.S. exporters' practices. Don't be caught in this trap! If you are uncertain about your export obligations, please contact compliance@shapiro.com.

COMPLIANCE CORNER

Your Customs Entries and FOIA

The Freedom of Information Act (FOIA), enacted in 1966, is a federal law establishing the public's right to obtain information from U.S. government agencies. Persons may obtain records created or obtained by federal agencies and that are in the agency's possession and control. The records include print documents, photographs, maps, e-mail, and electronic records. Exemption 4 of FOIA protects from disclosure trade secrets and commercial or financial information that is privileged or confidential.

When the U.S. Customs Service was part of the Department of the Treasury, it considered commercial information appearing on entry documents to be confidential and privileged under exemption 4 of FIOA. Customs did not require business submitters to designate that information as confidential.

On March 1, 2003, Customs became a part of the new Department of Homeland Security (DHS) and was renamed Customs & Border Protection (CBP). As each Executive Branch department has its own FOIA rules, CBP published an interim rule in the Federal Register in August 2003 to assure the trading community that the transfer of Customs from Treasury to DHS would not affect the treatment of commercial information which business submitters provide to CBP. This interim rule was finalized in a Federal Register notice on September 14, 2006, and the final rule will be effective October 16, 2006.

The rule created a new section in the Customs regulations stating, "Commercial information provided to CBP by a business submitter will be treated as privileged or confidential and will not be disclosed pursuant to a Freedom of Information Act (FOIA) request…except as provided in this section." [19 CFR 103.35] The new regulation includes the various notice requirements CBP must give to the business submitter whose commercial information is the subject of a FOIA request and the procedure a business submitter must follow to object to the proposed disclosure.

The interim and final rules are available at:
http://a257.g.akamaitech.net/7/257/2422/14mar20010800/edocket.access.gpo.gov/2003/pdf/03-20328.pdf

http://a257.g.akamaitech.net/7/257/2422/01jan20061800/edocket.access.gpo.gov/2006/pdf/E6-15225.pdf

TRANSPORTATION UPDATE

October 2006

Far East
The Far East market is still at the height of the strong peak season. Carriers are running at nearly 100% capacity on all water services to the U.S. east coast. Vessels to the west coast are operating at a high capacity but not as full as to the east coast. There was a large push to move cargo out of China at the end of September due to the Golden Holiday in China from October 1- 7. Most factories are closed during this period so there was a large push by exporters to have their cargo delivered to port before the shutdown.

Samuel Shapiro & Company, Inc. and our overseas partners have negotiated some very favorable contracts from the Far East. We have mitigated peak season surcharges via the west coast, and in some cases via east coast ports.

Northern Europe
Bunker fuel surcharges will remain at the following levels through November 15, 2006 from Northern Europe.

- East Coast Ports 20' containers $467.00
- East Coast Ports 40', 40' HC and 45' containers $933.00
- West Coast Ports 20' containers $700.00
- West Coast Ports 40', 40' HC and 45' containers $1400.00

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

There are still some problems out of Portugal with the elimination of a direct service to the USA due to the merger of P & O Nedlloyd and Maersk Line.

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
October will bring a major rate increase from Brazil. Carriers are raising their rates by $250.00 per TEU. Reduced capacity and rate levels that have eroded over the last year have caused the carriers to try and dramatically increase the rates. So far the increases seem to be holding and will be implemented October 1, 2006. There continues to be strong northbound cargo moving from Brazil and Argentina.

The River Plate Toll will increase for all cargo to or from Argentina and Paraguay on October 10, 2006. The toll will increase from $58.00 per container to $90.00 per container.

Air News
Fuel surcharges are stable at the moment as oil prices have not gone up in the last month. Air rates are going up from the Far East as more cargo is shifted to air during the peak season. Rates from Asia should continue to increase periodically through November.

Air carriers to and from Europe are raising their security surcharges to EUR 0.17/kg from Europe and USD 0.18/kg to Europe. These charges are based on the chargeable weight by most airlines.

Rates from Europe have remained stable, however carriers will begin to reduce the number of flights when they move to their fall/winter schedule.

Domestic USA

There is still considerable rail congestion at this time, especially in Chicago. It is taking anywhere from 12-16 days for containers to go from the west coast to the east coast.

SAMUEL SHAPIRO & COMPANY, INC. NEWS

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

Due to the overwhelming success of our Virginia, Maryland, and Atlanta Import Essential seminars, we are taking the show on the road to the New York metropolitan area. This one-day import seminar will be held on Wednesday, November 15, 2006, from 9:00 a.m. to 4:00 p.m., at the Crowne Plaza Hotel in Secaucus – Meadowlands, New Jersey.

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 regarding the C-TPAT portal, program benefits, and best practices. 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.

Seminar Location:
Crowne Plaza Hotel
Secaucus – Meadowlands
2 Harmon Plaza
Secaucus, NJ 07094
Hotel tel: (201) 348-6900

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

$225 per person
$200 for each additional attendee from the same company

Register Now! Click on the link below:

http://www.shapiro.com/html/ImportEssentialsSeminar15Nov2006.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.