"SHAP" TALK

July 2007 Issue No. 63

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TRADE NEWS

Congress Investigating Food Safety from China

The Committee on Energy and Commerce wrote a letter to Food and Drug Administration (FDA) Commissioner Andrew C. von Eschenbach with their concerns about the safety of food imports from China and calling for a possible ban on all such imports. As Chinese food imports have increased, so have the incidents of tainted food, the wheat gluten contaminated with melamine being one of the more recent issues. Now FDA is warning consumers of toothpaste from China due to the presence of a poisonous chemical used in antifreeze.

The Congressional Committee has asked FDA to provide extensive data on Chinese food imports over the past six years including: the number of imports with the number of entries and line items, the value of the imports, the number of imports detained for laboratory examination, the number of samples analyzed by private laboratories and by FDA laboratories, the number of violative shipments re-exported or destroyed, the percentage of samples found to be violative in each district and laboratory, and the number of FDA personnel conducting Chinese food import work for each district, each laboratory, and at FDA headquarters.

The letter concludes, "If the Food and Drug Administration is unable to assure the safety of Chinese food imports, then the Administration should consider a complete ban of all food imports from China until such time that FDA can assure the American consumer of the safety of these imports."

The letter may be viewed at the following link:
http://energycommerce.house.gov/Press_110/110-ltr.060507.FDA.China.Imports.pdf

Commerce Department Announces Updated Export Controls for China

On June 15th, the Commerce Department's Bureau of Industry and Security (BIS) announced significant changes to U.S. dual-use export licensing policy for certain high-technology exports to the People's Republic of China.

BIS will remove individual license requirements for certain authorized customers in China while imposing new licensing requirements on a targeted list of items that could contribute to China's military modernization.

Commerce Secretary Carlos M. Gutierrez stated, "This new rule strikes the right balance in our complex relationship with China. It is a common sense approach that will make it easier for U.S. companies to sell to pre-screened civilian customers in China, while at the same time denying access to U.S. technology that would contribute to China's military. The steps we are taking today are good for national security, and for American exporters and jobs."

The rule creates the Validated End-User (VEU) program, an innovative way to facilitate exports to trusted customers in China. Companies in China that qualify for VEU will be authorized to receive certain U.S.-controlled items without individual export licenses. The Commerce Department expects to publish an initial list of approved Validated End-Users as early as next month. As the program expands and matures, it could facilitate millions of dollars of U.S. exports to China. Sectors likely to benefit from VEU include electronics, semiconductor equipment, and chemicals.

The updated regulations also impose new controls on a focused list of items if they are destined for military end-uses in China. The controls target items that could enhance China's military if incorporated into weapons systems, and are consistent with the longstanding U.S. embargo on arms exports to China.

The list of items covers 20 product categories and associated technologies and software, as described in 31 entries on the Commerce Control List. Items subject to the new military end-use control include aircraft and aircraft engines, avionics and inertial navigation systems, lasers, depleted uranium, underwater cameras and propulsion systems, certain composite materials, and some telecommunications equipment for space communications or air defense. This list was carefully developed by the Departments of Commerce, Defense and State to target militarily useful items not widely available on world markets.

To view this press release, Fact Sheet, Q& A for Exporters, and other related material, please visit the BIS website. http://www.bis.doc.gov/usChinaExportRule.htm

BIS Proposal to Impose License Requirements for Exports or Re-exports to Entities Acting Contrary to U.S. Policies

On June 5, 2007, the Bureau of Industry and Security (BIS) issued a Federal Register Notice for Authorization to Impose License Requirements for Exports or Re-exports to Entities Acting Contrary to the National Security or Foreign Policy Interests of the United States.

This proposed rule would expand the scope of reasons for which BIS may add parties to the Entity List. The Entity List (Supplement No. 4 to part 744 of the Export Administration Regulations) provides notice to the public that certain exports and re-exports to parties identified on the Entity List require a license from the Bureau of Industry and Security (BIS) and that availability of License Exceptions in such transactions is limited.

This proposed rule would also amend the Export Administration Regulations (EAR) to state explicitly that a party listed on the Entity List has a right to request that its listing be removed or modified and would set procedures for addressing such requests.

This proposed rule would authorize BIS to impose foreign policy export and re-export license requirements, limit the availability of License Exceptions, and set license application review policy for exports and re-exports of items subject to the EAR to entities that BIS has reasonable cause to believe that their activities are contrary to the national security or foreign policy interests of the United States. This proposed rule would not require that such activities involve items or activities that are subject to the EAR.

Comments concerning this rule must be received by BIS no later than August 6, 2007.

FCC Requirement for Television and Television Devices to Have Digital Tuners

Starting February 17, 2009, the Federal Communications Commission (FCC) advises that the U.S. is converting from analog to digital television apparatus broadcasting in order to enable hi-definition TV reception.

On this date, analog tuner TV receivers will not be able to receive over the air transmission broadcasts via antennas. The consumer must purchase a converter box that converts the digital signal back to analog, or subscribe to cable or satellite TV reception services.

As a result, as of March 1, 2007, the FCC requires televisions, VCR's, DVR's, i.e. any TV device which incorporates a tuner, to have a digital tuner if imported into the U.S. or sold across state lines. Imports and across state sales of any kind of analog tuner on TV devices are prohibited.

Analog TV devices shipped by retailers after the effective date are allowed to be shipped within state warehouses as part of inventory reduction or clearance processes.

The FCC is not prohibiting the sale of analog only TV's or devices, but they are requiring as of April 25, 2007 the seller to post an alert or sign at the point of sale which states that the device will not be able to receive over the air transmission broadcasts after February 17, 2009.

Additional information and FCC press releases can be obtained by visiting the following website links:

FCC Digital TV Frequently Asked Questions-
http://www.bvcpselectrical.co.uk/fcc-faq-digital-tv.html
FCC Press Release Disclosure on Analog TV Sales-
http://hraunfoss.fcc.gov/edocs_public/attachment/DOC-272656A1.pdf
Or at the FCC's website- http://www.fcc.gov

Bill to Eliminate Import Duties on Footwear

On June 12, 2007, Congressmen Joseph Crowley (D-NY) and Kevin Brady (R-TX), unveiled the Affordable Footwear Initiative (AFI), legislation that would eliminate an outdated tax on footwear. This initiative would protect American shoe manufacturers while eliminating import duties and taxes on many types of footwear imported into the United States.

The congressmen state that currently the U.S. applies a unique regressive tax to footwear imports, meaning that it charges higher rates for lower-valued merchandise. Some of these rates range as high as 67.5%, translating into higher costs for retailers and consumers. Last year alone, importers paid $1.9 billion in duties on footwear, which, because of distribution mark-ups, means families are paying an estimated $4 to $5 billion in unnecessary taxes.

In addition, the statement points out that this reform is not controversial because it would not affect a protected industry. High footwear duties originated in the 1930's to protect a manufacturing sector that no longer exists as it once did. Over the last 20 years, U.S. footwear production has virtually disappeared except for the few footwear producers that have been successful in focusing on niche items that are distinguished by specialty and quality. Low-priced shoes, made primarily in China, Indonesia and Vietnam, are still subject to these outdated yet protective tariffs. The AFI does not include the few footwear products made in the U.S., so domestic manufacturers do not oppose the bill.

"American families, unbeknownst to them, are being forced to pay an unfair and steep tax passed along to them when purchasing shoes for their children," said Congressman Crowley. "Once enacted, this common-sense, uncontroversial reform of an outdated duty system will stop this unfair practice that costs families up to $5 billion annually."

COMPLIANCE CORNER

ATPA/ATPDEA Due to Expire June 30, 2007

The Andean Trade Preference Act (ATPA)/Andean Trade Promotion and Drug Eradication Act (ATPDEA) is scheduled to expire on June 30, 2007 unless extended by Congress. The beneficiary countries for ATPA are Bolivia, Colombia, Ecuador, and Peru. Free trade agreements are currently pending between the United States and Peru and Colombia. If Congress and the respective legislatures of Peru and Colombia approve their FTA's, then Congress could extend the ATPA/ATPDEA until December 31, 2007 for those two countries. There is also a pending House bill (H.R. 1830) which would extend ATPA/ATPDEA until September 30, 2009. Stay tuned to Shap Talk for further updates.

TRANSPORTATION NEWS

Port of Baltimore General Cargo Exceeds 9 Million Tons

The Port of Baltimore has announced that its terminals handled 9.3 million tons of general cargo in 2006, a growth of 6% over 2005. The value of the cargo increased to $36.7 billion, up $800 million from the previous year. Total cargo volume at the port was 30.6 million tons. The difference in tonnage includes bulk cargo such as coal and salt. Baltimore ranks 12th in the nation by cargo value and 14th for volume of foreign cargo handled.

Deepening the Channel on the Delaware River

The project to deepen the Delaware River main channel from 40 to 45 feet took a gigantic leap forward on May 17, 2007 when Pennsylvania Governor Ed Rendell announced that conflicts with New Jersey related to the project have been resolved and that the local sponsorship of the project will be transferred from the Delaware River Port Authority to the Philadelphia Regional Port Authority. Governor Rendell said that the state of Pennsylvania is now prepared to begin an aggressive investment program in the Philadelphia port.

The dredging project, estimated to cost $300 million, will run a distance of approximately 100 miles - from the mouth of the Delaware Bay to the Benjamin Franklin Bridge which connects Philadelphia and Camden. U.S. Senator Arlen Specter said, "This project has the potential to bring thousands of jobs and billions of dollars to the region." Deepening the Delaware River to 45 feet has become essential to keep the port competitive with other East Coast Ports such as the ports of New York/New Jersey, Baltimore, Wilmington, North Carolina, Charleston and Savannah which already range from 42 to 50 feet (Excerpts taken from The Beacon).

Transportation Update – July 2007

Far East

The Transpacific Stabilization Agreement (TSA) has announced that its members' container ships are nearly full on trade lanes from Asia to all U.S. coasts as the peak shipping season approaches. Carriers who are members of TSA have announced equipment shortages which have resulted in some Asia cargo being bumped to later sailings.

Heavy weight containers are simply not being accepted by many carriers that are trying to maximize the amount of containers that can be loaded from each Asian port. Cargo growth of almost 20 percent in the Asia-Europe trade lane and similar strong demand for Intra-Asia services further tightened space and equipment availability for the Asia-USA trade lane. Current capacity showed increases in the 90-95 percent range to the Pacific Northwest, and 95 percent or more for California ports and East Coast all-water services heading into June, with those levels expected to increase further throughout the summer.

The TSA predicts record cargo demand in July and August and reaching a high for the year during October. TSA expects that Peak Season Surcharges will increase this year reflecting the stronger than expected peak season and concerns over space availability, inland rail congestion, and over the expectation that the Panama Canal will be operating at capacity, from August 1st through October 31st.

TSA claims: "Carriers are allocating and managing their vessel and equipment assets as efficiently as possible, across multiple trades, to meet increasing customer service requirements." This makes inventory planning during this peak season that much more important for U.S. importers.

It is advisable that importers contact their shippers/suppliers in Asia to remind them that in order to get space on vessels during Peak Season, bookings with carriers must be placed at least 2 weeks in advance to increase the chances of getting space.

Vessel capacity has actually decreased this year in the Asia to USA lane as carriers are moving their larger vessels to the more profitable Asia to Europe lane. Carriers have replaced the larger ships with smaller vessels for the Asia to USA lane. There is hope that there may be a light at the end of the tunnel; container ports and rail and trucking networks report no signs of congestion so far this year.

Carriers are beginning to announce to terminal operators on the U.S. West Coast that they are going to be bringing larger vessels back into trade later this summer. One thing is for sure: nobody knows exactly how long the Peak Season will last or how intense it will be. At this stage of the game, there is little room for optimism.

Bangladesh Handling Fee

The Association of Cargo Agents of Bangladesh (ACAB) has decided to implement the following Bangladesh handling fees per the Chittagong Port Authority (CPA):

20' $149.50
40' $224.25
40'HC $336.55
LCL $5.68/CBM

The carrier members of the Transpacific Stabilization Agreement (TSA) announced significant increases to Bunker Adjustment Factors (BAF) and slight reductions to Inland Fuel Surcharges (IFC) for July.

BAF effective July 1, 2007 to July 31, 2007 is as follows:

20' $510
40' $635
40'HC $715
45' $805
LCL $15 per w/m

IFC will be reduced to $211.00 per container for mini-land bridge and inland point inter-modal shipments moving on the rail.

TSA Carriers also recently amended tariffs to provide for a Peak Season Surcharge (PSS) as follows:

20’ $320
40’ $400
40’HC $450
45’ $510

South America
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.

West Med Region
Mersin, Turkey Port Congestion Surcharge Effective on 30 Days Notice

Unless otherwise stated or shown as All Inclusive, all import rates in the tariff from Mersin, Turkey to the United States are subject to a Port Congestion Surcharge as follows:

20’ $ 100.00
40’ $ 200.00

Northern Europe/Scan Baltic Region
Based upon latest monitoring of fuel prices, which have shown a recent increase, Bunker Adjustment Factor (BAF), will be adjusted to the following levels as of June 16th, 2007 **(USA).**

U.S.A. ATLANTIC/GULF DESTINATIONS
20’ $494.00
40’ $988.00

U.S.A. PACIFIC DESTINATIONS
20’ $741.00
40’ $1,482.00

Currency Adjustment Factor (CAF) remains unchanged.

Domestic Cargo
APHIS has begun charging trucks that are crossing the border from Canada an additional fee for agricultural inspections. Effective June 1, 2007, all trucks, even ones not carrying agricultural products, will be charged an additional $5.25 to the already $5.50 crossing fee.

A surge in imports carried by truck in March added $1 billion to total trade using surface transportation between the United States and its North American Free Trade Agreement partners Canada and Mexico. Overall surface trade amounted to $69.8 billion, the highest monthly level ever recorded, according to the Bureau of

Transportation Statistics of the Department of Transportation. Year-over-year, the value of trade was up 2.3 percent.

Air Cargo
Air cargo carriers are raising fuel costs yet again in response to the rising price of jet fuel.

On April 302007, the U.S. and European Union signed an "open skies" aviation accord. This will open up cargo and passenger service on the Trans-Atlantic, and will pave the way for further negotiations for deregulation. This will take effect on March 30, 2008.

SAMUEL SHAPIRO & COMPANY, INC. NEWS

Shapiro's "Focus on Textiles" Seminar & 2007 Propeller Club Crab Feast

Samuel Shapiro & Company, Inc. will be hosting a half-day seminar on Thursday, August 9th, 2007, from 9:00 a.m. to 12:00 p.m., at the Tremont Grand in Baltimore, Maryland.

Textiles and wearing apparel have been designated a priority trade issue with U.S. Customs & Border Protection. Importers face challenges of quotas, transshipment, proving origin, intellectual property rights, and multiple free trade agreements. With textiles accounting for 43% of all duties collected, your shipments are on the Customs enforcement radar. Let Samuel Shapiro & Company, Inc. guide you through the maze of textile compliance.

"Focus on Textiles" will be an overview of importing textiles and apparel into the United States, including classification guidelines, terminology, how to tell if your goods are subject to quotas, what documents textile importers need to verify origin, and an update on the multitude of free trade agreements.

Following the seminar, come join us for the annual Propeller Club Crab Feast! We will provide courtesy round-trip transportation from the Tremont Grand immediately following the class.

Seminar Location:
Tremont Grand
Composite Room
225 N. Charles St.
Baltimore, MD 21201
Phone: 410-685-7777

The hotel is located across the street from Shapiro's corporate office. Please stop by for a visit!

Cost (includes seminar materials and breakfast):

$85.00 per person (Includes seminar materials and continental breakfast)
$75.00 for each additional attendee from the same company
$60.00 crab feast ticket per person (in addition to your seminar cost)

Please let us know as soon as possible if you need crab feast tickets as supplies are limited!

Click on the link below to register today!
http://www.shapiro.com/html/SeminarTextile9Aug2007.html

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

WE WANT TO HEAR FROM YOU!

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