Samuel Shapiro & Company, Inc.
Est. 1915

"SHAP" TALK
June 2011 Issue No. 110

In this issue:

SHAPIRO SEMINARS

Save the Date! Drawback Seminar to be Presented August 11th

Our annual seminar for the Baltimore Propeller Club crab feast will be held the morning of August 11th. This year's topic will be drawback. Many companies that import and subsequently export goods, even to Canada, may not be aware of the revenue potential by filing a drawback claim to recover duties paid. Come see how you can add to your company's bottom line! Registration details will be coming shortly.

TRADE NEWS

Customs Issues Guidance for Forms 28 and 29

U.S. Customs and Border Protection (CBP) has issued guidance to the importing community on the CBP Form 28 Request for Information and CBP Form 29 Notice of Action. There has been much concern recently about the use of these forms to commence an investigation and whether such use is the appropriate means.

A CBP Form 28 Request for Information is generally used when Customs is seeking clarification on a particular entry. Often the requests for information are routine such as asking for a sample, additional documentation, or details on valuation.

The CBP Form 29 Notice of Action is issued by Customs to communicate its intention to liquidate the entry other than how it was originally entered. Since the Form 29 normally involves an increase in duties due to a change in value or classification, careful and prompt attention must be given to the document.

We have reproduced the Customs guidance document for our readers.

May 24, 2011
MEMORANDUM FOR: Directors, Field Operations
FROM: Executive Director, Trade Policy and Programs Office of International Trade
SUBJECT: GUIDANCE: CBP Forms 28 and 29 Language

The purpose of this memorandum is to remind ports of U.S. Customs and Border Protection's (CBP) policy concerning the appropriate issuance of CBP Form 28, Request for Information and CBP Form 29, Notice of Action.

The CBP Form 28 is used by CBP when there is insufficient information in the entry summary package to determine admissibility, appraised value, or classification of imported merchandise. Brochures, descriptive literature, blueprints, samples, proof of payment, affidavits, etc. may be requested.

CBP has advised the field to limit the use of the CBP Form 28 for the purposes stated above and not extend its use as notification that a formal investigation has commenced as a matter of enforcement policy, not a matter of law. The preferred mechanism to inform the importer of the commencement of an investigation is by correspondence on CBP letterhead or the CBP Form 29.

CBP has also advised the field that the CBP Form 28 shall not be used to request proof of a properly executed valid power of attorney. CBP shall request proof of a properly executed valid power of attorney during a broker compliance visit or via an individually drafted letter.

CBP has also advised the field concerning the use of the CBP Form 29. Generally, as stated in 19 CFR 152.2, an entry which is entered at a rate or value of merchandise which is too low, or the import quantity exceeds that of the entered quantity, and the estimated aggregate increase in duties exceeds $15, CBP will notify the importer of the specific nature of the difference. If the rate advance is a proposed action, the importer is afforded 20 days, from the date of CBP mailing the CBP Form 29, to furnish CBP with specific reasons why the rate advance should not be issued.

It is CBP's goal to act uniformly in providing legal notification to the appropriate party when proposing or taking certain actions. CBP should avoid using language on these forms such as "failure to provide information could lead to penalties under 19 USC 1592…" or "this office is investigating the classification of…" if in fact an investigation is not already in process. Such language defeats the goal of informed compliance and may dissuade importers from filing valid prior disclosures.

For questions regarding this memorandum, please contact Ms. Laurie Dempsey, Chief, Entry, Summary, and Drawback at (202) 863-6509, laurie.dempsey@dhs.gov.

Please pass this information to port directors, assistance port directors, import specialists, entry specialists, brokers and importers.

Signed by Therese Randazzo for:
Brenda B. Smith

Document Cut off Reminder for EU Customs Advance Manifest Rule

As mentioned in our January 2011 issue of Shap Talk, the EU 24-hour Rule or the Entry Summary Declaration (ENS) required for all freight destined to the European Union is now in full swing, but there is some confusion among exporters and carriers that we would like to clarify.

As background, the EU Customs advanced manifest rule applies to all 27 EU member states and aims to ensure that security risk assessment is performed before any goods enter the European Union (EU). This is consistent with the U.S. Importer Security Filing (ISF), and both the U.S. and EU Customs authorities will not allow any shipment to load without the required information requested by these Customs authorities.

For shipments to the EU or transiting the EU, the carriers are responsible to lodge pre-arrival declarations electronically, and they must adhere to timelines established by the European Customs authorities. Therefore, shipping instructions from U.S. forwarders must be sent to the carrier within the established cut off times set up by each local office.

For example, your shipment may be sailing on the 15th, and the cut-off for delivery of the freight may be the 13th, but the cut off for documentation may be on the 11th or 12th. Shippers are required to submit complete and accurate shipping instructions to the carrier, and each carrier shipping the freight establishes the cut off time for documentation in order to meet the EU requirements.

Exporters must understand that the forwarder must have the invoice and all documentation in order to meet these guidelines set up by the carrier. If the information is not sent timely, the shipment can be rejected or automatically moved to another conveyance for export where the exporter may have to pay additional penalties. Ocean bookings may need to be rolled, and storage charges can accrue at the pier. We urge exporters to have the information available to the forwarder when required in order to move your shipment as agreed. We cannot guarantee the shipment will move as scheduled unless all of the documentation is in hand for processing to make the cut off set up by the carrier.

We know from experience with the ISF into the U.S. for import shipments that this is a big transition for exporters, but it is a necessary step to meet the security requirements for the European Union.

Please refer to the European Union or Europa Website for a list of FAQ's about the EU Security Declaration (ENS) and the information required prior to loading: http://ec.europa.eu/ecip/documents/procedures/import_faq_en.pdf

Strengthening AD/CV Enforcement

The U.S. Senate plans to reintroduce the Enforcing Orders and Reducing Circumvention and Evasion (ENFORCE) Act (S.3725) to strengthen the enforcement of antidumping and countervailing duty orders. The Senate Finance Committee has been highly critical of Customs and Border Protection's (CBP) actions in protecting AD/CV laws. The Committee says Customs is slow to investigate possible fraud cases while Chinese suppliers are blatant in their attempt to evade AD/CV duties.

Uncollected AD/CV duties over the past five years total $1 billion. CBP reports that 85% of the uncollected AD/CV duties are from five Chinese commodities – wooden bedroom furniture, honey, crawfish, mushrooms, and fresh garlic.

Some companies are circumventing AD/CV laws through illegal transshipment, undervaluation and/or misclassification of products, not manifesting AD/CV goods (aka smuggling), and other methods, such as setting up shell companies to avoid payment, and re-engineering products to fall outside the scope of an AD/CV order.

Customs plans to step up overseas visits to foreign suppliers and to possibly require single transaction bonds for importations of AD/CV goods by non-resident importers or whenever Customs suspects a risk of revenue loss exists. Customs will be working with the Department of Justice, Immigration and Customs Enforcement (ICE), and the Department of Commerce to enhance enforcement efforts.

No News for GSP Renewal

There is still no definitive date for GSP renewal. We are closely monitoring the situation and will let our readers know if there any updates.

It is imperative that the international community make their voices heard to their Senators and Congresspersons as to the impact GSP is having on their businesses. You can e-mail your representatives directly through the following website that has been established to foment support for GSP renewal: http://renewgsptoday.com/

New Online Tool Highlights Tariff Benefits of Free Trade Agreements for American Businesses

The Office of the U.S. Trade Representative, the Department of Commerce and the Small Business Administration has unveiled a new Free Trade Agreement (FTA) Tariff Tool. This free online service is available to businesses for both export and import. The website includes an 8-minute video showing how to use this user-friendly tool, a quick start guide, and user's manual

The FTA Tariff Tool, accessible at http://www.export.gov/FTA/FTATariffTool/, has the answers to many tariff and trade-related questions.

America's Free Trade Agreement (FTA) partners offer attractive markets for many U.S. companies looking to expand into new markets or export for the very first time. Through these agreements, the U.S. has negotiated the elimination of tariffs, the removal of non-tariff barriers, and secured non-discriminatory treatment of U.S. goods and services. Originally, trade and tariff information could only be accessed by sifting through the actual text of the agreements. The FTA Tariff Tool streamlines the search process.

The FTA Tariff Tool has three functions: 1) a searchable database to find the tariff treatment of industrial goods covered under the U.S. trade agreements; 2) creates market access reports and charts across industrial sectors or product groups; and 3) creates a snapshot of current and tariff and trade trends under different U.S. trade agreements. Businesses are able to see the current and future tariffs applied to their products, as well as the date on which those products become duty free. By combining sector and product groups, trade data, and the tariff elimination schedules, users can also analyze how various sectors are treated across various trade agreements.

The development of the FTA Tariff Tool will be on-going, with plans underway to incorporate agricultural and textile information. Trade data will be up-dated on an annual basis and future trade agreements will be incorporated as they are negotiated.

Proposal to Increase and Expand Cotton Fee

The Agricultural Marketing Service (AMS) of the U.S. Department of Agriculture has issued a proposal to increase the cotton fee which is collected for use by the Cotton Research and Promotion Program. Additionally, the AMS proposes to expand the number of tariff numbers covered by the cotton fee from 706 to 2,371 to assess all imported cotton and cotton-containing products.

The cotton fee is currently $0.01088 per kilogram. The proposed new fee is $0.012665 per kilogram. The cotton fee was last raised in August 2009.

The list of proposed tariff numbers may be found in the June 3rd Federal Register at
http://www.gpo.gov/fdsys/pkg/FR-2011-06-03/pdf/2011-13495.pdf

Retaliatory Duties in EU Beef Hormone Dispute Terminated

The U.S. Trade Representative has terminated all remaining additional duties in the European Union beef hormone dispute that dates back to 1999. The EU banned the import of beef and beef products with certain hormones which effectively prohibited the importation of all U.S. beef and beef products. In retaliation, the U.S. imposed punitive duties on certain food items (and a few non-food items) from the EU. The list of products was reduced in March 2009. The duties were originally to have ended in August 2012, but a court ruling has terminated the duties earlier.

A list of the affected tariff numbers and effective dates of termination may be found at:
http://www.gpo.gov/fdsys/pkg/FR-2011-05-27/pdf/2011-13282.pdf

TRANSPORTATION UPDATE

June 2011 Update

INDUSTRY NEWS:

Container Equipment Supplies Remain Short
Both shippers and carriers can expect the supply of containers to be tight this year as Chinese manufacturers cannot keep up with the world-wide demand. The supply dropped sharply during the 2009 recession and left the fleet with 3 million fewer containers to work with at the onset of 2011. The tight supplies and high demand has

caused the carriers to keep container boxes in service longer which could mean that they quality of the containers in service could suffer somewhat. Container supplies began to be tight when cargo demands surged unexpectedly in early 2010 and carriers reacted to slow down vessels to reduce fuel costs.

Japanese Exports Continue to Decline As Economy Sinks Into Recession

Japan's exports to the world are continuing to shrink as a result of the recent earthquake and tsunami there. Many industries are directly affected such as auto, electronics, and other parts makers that are causing disruptions to worldwide supply chains. The immediate shut down of four nuclear power plants has resulted in many factories in a wide range of industries to stop or cut back on their operations due to electricity or parts shortages. Japan relies heavily on its exports for economic growth and it remains the world's third-largest economy after the United States and China. In March, Japan's industrial output fell by 15.5 percent from February, and the economy has sunk into recession as the CDP fell 1.3 percent in the January to March period.

India's Exports Rise 35 Percent

India's exports have surged 35 percent over last year for the month of April to $23.9 billion, while India's imports have risen 14 percent to $32.8 billion for the month. India exported a record $246 billion worth of goods in fiscal 2010-11 and has set an export target of $450 billion for fiscal 2013-14.

U.S. Exports Fuel Growth at Major U.S. Ports

Loaded export container volumes are leading growth of cargo volumes in LA-Long Beach on the West Coast and in Savannah on the East Coast. The weaker U.S. dollar has fueled demand from overseas for semi-finished goods, raw materials, and grain-based commodities. Exports increased 8.5 percent in Savannah in April 2011 as compared to April 2010. Exports saw a gain of 7.8 percent in the ports of LA-Long Beach which rose at a faster pace than imports in those ports. Shipping lines that carry U.S. exports to Asia face a paradox of declining or flattening freight rates while cargo volumes remain quite strong. The carriers have taken very little capacity out of the market during the winter months, so there is not a surplus of vessel capacity which has made it difficult for shipping lines to increase their westbound rates from the U.S. ports to Asia. The rates from the U.S. West Coast have remained particularly low. Strong import flows to markets where equipment shortages were once a problem have held the rates steady for Exports.

National Retail Federation Predicts Import Volumes to Level Off

The 10 busiest U.S. container ports expect to see imports level off until the height of peak season in August. Retailers claim that they are being cautious with how much merchandise they import due to economic pressures such as higher commodity prices even though overall consumer demand remains strong. Higher gasoline prices during the late spring and rising inflation is causing mixed economic indicators, however retailers expect the economy in the second half of 2011 to be more robust than the first half.

Port Strikes Hit Australia Ports
Patrick Terminals in Australia has advised that after eight months of negotiations no agreement has been reached with the Maritime Union, resulting in a dock worker strike at Patrick Terminals in Sydney, Fremantle, and Brisbane effective May 26.

OCEAN FREIGHT:

Evergreen Orders Ten Additional 8000-TEU Vessels
Evergreen has placed orders for an additional 10 new 8000-TEU vessels in May. This comes on the heels of recent order for 20 similar vessels that Evergreen placed orders for with deliveries of those vessels to begin next year. These new ships will include equipment that allows them to plug into shoreside electric power that will reduce air pollution caused by emission from ships while berthed in each harbor.

Hapag Lloyd Announces Rate Increases, Peak Season Surcharges
Hapag Lloyd has announced plans to increase rates in the North America to East Coast South America trade effective July 1. Rates will go up by $100 per 20' container and $200 per 40' container for cargo from U.S. and Canada ports to Brazil, Argentina, Uruguay, and Paraguay. Hapag Lloyd has also announced that its Peak Season Surcharge (PSS) will be in effect from January 15, 2011 through November 30, 2011 at $320/20', $400/40', $450/40'HC, and $506/45'. Other carriers are announcing the same PSS levels. Hapag also announced that it will no longer make 45' containers available from the Indian Subcontinent.

Port of Baltimore Rebounds Strongly in 2010 and Remains Strong Into 2011
The port of Baltimore reported a strong rebound in port volumes in 2010. In the relatively weak year of 2009, the port handled 22 million tons of foreign commerce. In 2010 the port handled 33 million tons of foreign commerce through its terminals. The dollar value of the cargo handled at the port jumped 37 percent in 2010 as compared with 2009. Container volumes in Baltimore jumped 17% in 2010. Just last month, Governor Martin O'Malley announced that the port's public terminals experienced their best 12 months ever for container traffic from April 2010 through March 2011 although no official volumes were reported.

Port of Boston Secures First Asia Container Service via Suez
Effective this week, the Port of Boston will receive its first calls by a container service from Asia that transits the Suez Canal. The CKYH alliance of Cosco, K-Line, Yang Ming, and Hyundai will extend weekly calls to Boston from Hong Kong, Singapore, Taiwan, and Vietnam. Boston will be allocated 1300 TEUs on each ship in each direction which will call Boston every Friday.

AIRFREIGHT:

Lufthansa Adds Five 777 Freight Freighters to Its Fleet
Lufthansa has finalized an order for five 777 freighters which will consolidate its position as Europe's biggest cargo airline. The lanes that will be getting these freighters have not yet been decided. Lufthansa recently reported its profit nearly

doubled in the first quarter to $92 million. Lufthansa also announced a surge in freight traffic in April which saw in increase in cargo volumes of 24.8 percent over a year ago. Traffic on the Americas network leaped 31.6 percent. Freight rates will likely rise in the fall if the global economic recovery continues according to Lufthansa Cargo Chief Executive Karl Ulrich Garnadt.

Icelandair Adds Nonstop Service from Washington Dulles to Reykjavik
Icelandair has begun service from IAD airport to REK beginning the May 17. Cargo can be booked through Icelandair Cargo for REK on passenger aircraft and any oversized shipments can be moved via cargo aircraft over JFK.

Global Airfreight Market Grows 3.7 Percent in March
Despite a decline in shipping in Asia following the Japanese earthquake and tsunami, international air freight traffic grew 3.7 percent in March over the same period last year. Capacity expansion also outpaced demand for the third straight month with available freight space growing 9.1 percent over March 2010.

United Airlines and American Airlines Add New Services
United Airlines launched a new wide-body daily Boeing 777 linking Los Angeles and Shanghai effective May 20, 2011. American Airlines added new 767 daily nonstop service from Chicago to Helsinki.

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 Rich Lucas, Recruiting Manager, for his 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.