"SHAP" TALK

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In this issue:

TRADE NEWS

Two Issues Will Impact Trade in 2008: The Economy and the Election

And they work hand in glove.

For the first time in many decades, we have several economic forces working against us: a staggering credit market crisis, a bursting real estate bubble, a continually depreciating dollar, and persistently accelerating oil prices. A weak dollar and a lack of liquidity in the market may further diminish investment interests and imports into the country. Unless addressed, these conditions will further weaken America's superpower status.

Add to this mix an election year and the possibility of a Democratic victory; the well-meaning but cumbersome security requirements imposed by Customs and Border Protection; and the inability of our Government agencies to effectively monitor and control food and safety offenders, and the marginalized, isolated, economically troubled position of America in the global marketplace will be further compromised.

Despite the decline in U.S. economy, the global market is strong and creates great opportunities. The convergence of concerning economic issues just may be the necessary jolt to correct our country's trade imbalance. There is no doubt that the success in Asia has produced business for American companies; as they build and prosper, interest in U.S. exports rises. And trade between Europe and Asia—two economically strong areas—will continue to flourish.

The outcome of the 2008 election will no doubt have a great impact on the future of our country's direction in global trade. Will we finally invest in our deteriorating infrastructure? Will we recognize that free trade and open borders are an investment in our country's future? Will cargo security controls facilitate or further restrict trade? We can only hope that the new administration will address these issues, act practically on matters of security and aggressively on free trade, and reinforce our dominant position in the global playing field.

North American Trade Reaches Record High in 2006

The U.S. Department of Transportation's Bureau of Transportation Statistics (BTS) has announced that U.S. freight shipments with Canada and Mexico reached a record high of $866 billion in 2006, an increase of 9.7% over 2005. On an average day, the three NAFTA countries conduct nearly $2.4 billion in trilateral trade. U.S. Trade with Canada and Mexico, our largest trading partners, has risen 41.1% between 2001 and 2006.

62% of shipments by value moved by truck, followed by rail at 15%, ocean at 8%, pipeline at 7%, and air at 4%. The remainder is made of shipments that cross the border via pedestrian traffic and other miscellaneous modes.

The top border crossings by value in 2006 were Detroit, Laredo, Buffalo-Niagara Falls, El Paso, and Port Huron.

The North American Free Trade Agreement (NAFTA) began January 1, 1994 and is the world's largest free trade area. In the years since NAFTA was implemented, U.S. employment has risen 20.1% with an increase of 22.6 million jobs. U.S. industrial production rose by 49% between 1993 and 2005. The Canadian and Mexican economies have been strengthened as well by NAFTA. The NAFTA economies are significantly larger than those of the European Union.

BTS Press Release:
http://www.dot.gov/affairs/bts5407.htm

NAFTA facts and figures:
http://www.ustr.gov

More Trade Program News

The U.S. Government Accountability Office (GAO) has issued a report entitled, "U.S. Trade Preference Programs: An Overview of Use by Beneficiaries and U.S. Administrative Reviews." The trade preference programs are GSP, the Caribbean Basin Initiative (CBI) (which covers the Caribbean Basin Trade Partnership Act (CBTPA) and the Caribbean Basin Economic Recovery Act (CBERA)), the Andean Trade Preference Act (ATPA) (which also covers the Andean Trade Promotion and Drug Eradication Act (ATPDEA)), and the African Growth and Opportunity Act (AGOA). These Trade Preference Programs are unilateral programs granting benefits to the intended beneficiary country(ies), as opposed to a Free Trade Agreement which is between two or more parties and generates reciprocal benefits.

These four trade preference programs extend tariff reductions to over 130 developing nations. In 2006, goods from these countries totaled $92 billion, about 5% of U.S. imports. Trade preference programs give these countries duty free access to the U.S. market to help to develop their economies. Over half of the 10,500 products in the U.S. Harmonized Tariff Schedule are eligible for duty reduction under a trade preference program.

Fuel imports accounted for over half of preference imports by value in 2006. Other areas showing sharp growth include machinery, electronics, jewelry, and agriculture. Ten countries accounted for over 75% of preference imports in 2006. The highest amounts came from Nigeria and Angola, primarily due to fuel imports. The largest non-fuel suppliers are India, Thailand and Brazil.

We've included a link below from the Customs website that offers a good synopsis of the various trade preference programs and free trade agreements.

The GAO report is available at::
http://www.gao.gov/new.items/d071209.pdf

CBP Synopsis of Preferential Trade Agreements and Trade Programs:
http://www.cbp.gov/linkhandler/cgov/import/international_agreements/fta_provisions.ctt/fta_provisions.ppt

World Trade Organization's 2006 International Trade Statistics

The WTO has published its latest edition of international trade statistics for the year 2006. Below is a listing of some significant trends and statistical data. Note that the listing is not all inclusive.

- Merchandise trade increased by 8%, but world gross domestic product only increased by 3.5%.
- Worldwide exports from China were expanded by 22%, 11% for the United States, and 3% from European countries as a whole.
- Worldwide exports from Middle Eastern countries significantly dropped below world average growth rates.
- Exports from North America and Asia grew faster than imports into those regions, and exports and imports to/from European countries were balanced for the year at an increased rate of 7%. The growth of imports in the Middle East and South and Central America greatly exceeded export growth.
- Growth in agricultural products increased by 6% while growth in fuel commodities only increased by 3%.
- 80% of Asia's exports consisted of manufactured products.
- South and Central America lead the world in total agricultural exports.
- The highest amount of intra-regional trade occurs in Europe followed by Asia and North America.
- The leading exporters in the world in merchandise trade by rank are Germany, the United States, and China in that order. The leading importers are the United States, Germany, and China.
- The United States and Europe are the largest importers of fuel in the world while China and India had the largest increase in fuel imports.
- China's manufactured exports exceeded those of the United States for the first time.
- Imports of automotive products increased in South and Central America and Africa by 63%.
- World trade in textile and apparel commodities increased by 10%.

The entire text and corresponding charts for the WTO's 2007 edition of the "International Trade Statistics" can be viewed by visiting the WTO website at:
http://www.wto.org/english/res_e/statis_e/its2007_e/its2007_e.pdf

FDA Announces Three Element Action Plan to Address Food Safety Issues

The "Food Protection Plan: An Integrated Strategy for Protecting the Nation's Food Supply" has been released by the Food & Drug Administration through the Health & Human Services Secretary Mike Leavitt to address food safety issues on domestically produced and imported food products. The plan calls for developing food protection guidelines for the food industry. The action plan includes three areas of responsibility and cooperation that are significant throughout a food product's life cycle from production to consumption by the American consumer. The three Elements are summarized below:

Prevent Food Borne Contamination

- Develop an increased FDA presence in foreign countries to be able to increase inspections of high risk food products and the companies that produce them.
- Requests authority to issue regulations that require certain food types that have previously been suspect, or have caused illnesses or deaths to be produced, packed, etc. under preventative contamination controls.
- Requests authority to issue regulations that would require companies to practice published protection guidelines throughout the supply chain to prevent intentional contamination of bulk food products or those with short shelf lives.
- Requests authority to require food facilities to register with the FDA every two years to allow FDA to establish food categories within the registration system that would house the most up to date food safety information.

Inspect, Sample, and Implement Surveillance at Specific Points in the Supply Chain

- Requests authority to utilize accredited third parties to evaluate compliance through inspections.
- Require electronic import certifications on designated high risk shipments prior to shipping. Certifications would be completed by an FDA or third party inspector.
- Prevent entry of food products from firms who deny or limit the FDA inspection process. If food products are denied entry there would be a hearing process available to the involved firm.

To Provide a Rapid Response to Minimize Harm

- Authority to issue mandatory recalls when voluntary recalls are not followed. This authority would be used when a firm delays or refuses to proceed with a voluntary recall of adulterated products as determined by the Health & Human Services Secretary.
- Provide FDA improved access to safety and security food records throughout the supply chain to allow identification of the source of contamination or illness so that action may be taken immediately.

The FDA projects that the implementation of the plan will provide the following results among others:

- Enhancement of food emergency response system.

- Expansion of trace-back process to be able to identify causes of food related illnesses.
- Improvement of partner cooperation and collaboration including foreign regulators.
- Development of modern detection and testing tools.
- Building of food safety and defense best practices throughout the food product's life cycle.
- Development of focused risk based inspection programs.

The above listings are not all inclusive. The entire food protection plan may be viewed by visiting the FDA website at:
http://www.fda.gov/oc/initiatives/advance/food/plan.html

Census Requests Comments Regarding the Shipper's Export Declaration

The U.S. Census Bureau, under the Department of Commerce, invites the general public and other Federal agencies to take this opportunity to comment on proposed and/or continuing information collections regarding the Shipper's Export Declaration (SED) and the Automated Export System (AES).

The SED, Commerce Form 7525-V, and the electronic equivalent, the AES, are instruments used for collecting export trade information. The data collected from these sources are compiled by the U.S. Census Bureau and function as the basis for the official U.S. export trade statistics.

These statistics are used to determine the balance of international trade, and are also designated for use as a principal economic indicator. Title 15, Code of Federal Regulations, part 30, contains the regulatory provisions for preparing and filing the SED or the AES record. The data collected by Census are used for the development of U.S. government policies that affect the economy and for export control purposes. The data also enable U.S. businesses to develop practical export marketing strategies as well as provide a means for the assessment of the impact of exports on the domestic economy.

At this time exporters of items on the Commerce Control List and the U.S. Munitions List, as well as exporters of rough diamonds, are required to submit trade data electronically to Census through AES.

As of September 30, 2002, the President authorized Commerce to make it mandatory for all exporters of goods valued above $2,500 per tariff number to file export related data electronically through AES.

On October 22, 2003, the Census Bureau published a Notice of Proposed Rulemaking announcing the Census Bureau's intent for mandating electronic filing through the AES and allowed the public to comment on this subject. Another Notice of Proposed Rulemaking for mandatory AES filing was published February 17, 2005. Apparently there have been many discussions and disagreements between agencies on the protection of certain export information from U.S. exporters. We encourage all exporters to submit any comments they feel are necessary.

Once concurrence is received from all parties involved, the Census Bureau intends to publish a notice of Final Rulemaking, which will implement the provisions of Public Law 107-228 requiring the mandatory electronic filing of export information via the AES.

To ensure consideration, written comments must be submitted on or before February 1, 2008. Please direct all written comments to Diana Hynek, Departmental Paperwork Clearance Officer, Department of Commerce, Room 6625, 14th and Constitution Avenue, NW., Washington, DC 20230 (or via the Internet at dHynek@doc.gov).

Requests for additional information should be directed to Dale C. Kelly, Chief, Regulations, Outreach and Education Branch, U.S. Census Bureau, 4600 Silver Hill Road, Room 6K125, Washington, DC 20233-6700, (301) 763-6937, by fax (301) 763-6638 (or via the Internet at dale.c.kelly@census.gov).

The complete Federal Register Notice posted on December 3, 2007 (Pages 67887-67888) can be accessed at:
http://a257.g.akamaitech.net/7/257/2422/01jan20071800/edocket.access.gpo.gov/2007/pdf/E7-23311.pdf

U.S. Signs Guidelines for U.S.-China High Technology and Strategic Trade Development

On December 11, 2007, the U.S. Department of Commerce announced the signing of "Guidelines for U.S.-China High Technology and Strategic Trade Development" by the U.S. Department of Commerce and China's Ministry of Commerce (MOFCOM). The Guidelines outline the importance of working cooperatively to achieve the mutual benefits of promoting U.S. high technology exports to China.

"These Guidelines are a positive step forward for bilateral, civilian high technology trade," said Secretary of Commerce Carlos M. Gutierrez. "The Guidelines recognize China's status as the fastest growing export market for U.S. exports and memorialize our respective commitments to communicate and cooperate, through such forums as the Joint Commission on Commerce and Trade (JCCT), to promote the development of safe, secure high technology and strategic trade between our two countries."

The Guidelines were developed by the Bureau of Industry and Security (BIS) and MOFCOM with the support of the U.S.-China High Technology and Strategic Trade Working Group (HTWG) The HTWG was established at the 2005 JCCT as a mechanism for furthering U.S.-China cooperation on export control and high technology trade issues. Under the Guidelines, the Commerce Department and MOFCOM will jointly identify and carry out steps to enhance secure high technology and strategic trade.

This is seen as another positive step with our relations with China of ongoing bilateral discussions and provides a framework for future discussions. The Guidelines also recognize the critical role of end-use visits in ensuring the protection of U.S. national security interests in the enhancement of high technology trade.

U.S. exports to China totaled $55 billion in 2006, up 32% from 2005. U.S. high technology exports to China increased by 44% in 2006, to $17.7 billion.

The full announcement dated December 11, 2007 can be viewed on the BIS website at: http://www.bis.doc.gov/news/2007/12-11-07-bis-release-final.pdf

COMPLIANCE CORNER

What is ADD/CVD?

Antidumping and countervailing duties provide domestic industries a legal remedy against unfairly traded imports that injure or threaten to injure a U.S. industry.

Antidumping duty (ADD) is assessed when a foreign manufacturer sells to the United States at less than a fair value AND there is an injury or threat of injury to U.S. industry. The antidumping margin (or ADD rate) is set to represent the difference between the fair market value of the merchandise and the exporter's sale price. ADD margins can be manufacturer specific.

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 payment can be direct or indirect and be in any form.

ADD and CVD are a very high priority for U.S. Customs & Border Protection. ADD and CVD rates can be extremely high, well in excess of 100%. Fresh garlic has a rate of 376.67%! Each year, millions of dollars of ADD and CVD go uncollected (over $236 million in FY 2007). Some companies disappear or go bankrupt before the duties become due.

Historically, most ADD and CVD cases were for ball bearings and steel products. Today, anything goes – pasta, pencils, pistachios, prawns, paper clips, and pineapple all have ADD/CVD cases. The scope of the case is crucial. For example, not all pencils are subject to ADD. Mechanical pencils and cosmetic pencils are specifically excluded from the scope of the case. Pencils 13.5 inches or longer are excluded from the scope of the case. Case scopes are extremely detailed. This is why it is so important that commercial invoices contain enough information that the goods can be correctly entered. A correct value declaration is also critical, especially in transactions between related parties. ADD/CVD cases are ripe for valuation fraud – unscrupulous companies will declare a lower value in order to pay less duty. ADD/CVD also represents a contingent liability as the entries can liquidate long after your goods have been sold. The ADD/CVD rate can change between the time the goods are originally entered and liquidation. The Department of Commerce is responsible for determining the final rate. Liquidation can take years.

The Department of Commerce's International Trade Administration website provides a listing of antidumping and countervailing orders and investigations in effect http://ia.ita.doc.gov/stats/iastats1.html. The Federal Register is your gold standard for ADD and CVD case information including the all important scope of the case: http://www.gpoaccess.gov/fr/index.html.

ADD/CVD laws are quite complex. Purchasing goods from a reseller as opposed to the manufacturer can affect the rate you pay in antidumping cases. Scope coverage can also be tricky. The language is often arcane. We highly recommend you seek the advice of an expert when considering importing goods subject to ADD or CVD. Otherwise, the results could be very costly.

TRANSPORTATION UPDATE

January 2008

FAR EAST

The Alameda Corridor Charge (ACS) will be adjusted to the following levels effective January 1, 2008 for all Asia to US Carriers:

20'	$19
40'	$38
40' HC	$38

Samuel Shapiro & Company has filed in our tariff the below EBAF effective December 23, 2007 for all Asia to US Carriers:

20'	$240
40'	$300
40'HC	$340
45'	$380

In late November MOL announced that it would be withdrawing more capacity to the U.S. West Coast and earlier than in previous years in the face of an unprecedented rise in operating costs, particularly for fuel. The latest announcement will see MOL cut a further 13 percent of capacity to the U.S. East Coast. APL, Hyundai Merchant Marine, MOL and CMA CGM have decided to skip some sailings in their ESX deployment from mid-December to the end of March.

Samuel Shapiro & Company, Inc. has direct service for LCL cargo from Hong Kong to Baltimore without the congestion of New York. Service moves on the MOL/HYUNDAI service and has very reliable transit time.

INDIAN SUB CONTINENT
Please note that carriers on the Indamex service will jointly be implementing an "Emergency Bunker Surcharge" for service between India and the USEC. The current Indamex carriers are CMA, MC ANDREWS, APL, and HAPAG LLOYD.

The EBS will go into effect Dec 22, 2007 at the following levels:

20'	$160
40'	$200
40'HC	$225
45'HC	$255

Effective December 7, 2007 all carriers out of Chennai/Madras will implement the following Port Congestion Charge:

$100 per TEU
$200 per FEU

SOUTH AFRICA/INDIAN OCEAN
Effective January 4, 2008 cargo from South Africa and Indian Ocean will have the below BAF increase:

20'	$915
40'	$1520

MEDITERRANEAN
Samuel Shapiro & Company, Inc. has direct service for LCL cargo from Italy to Baltimore without the congestion of New York. Service moves on the MSC service with very competitive rates.

Lisbon Terminal Security fee will be effective January 1, 2008.

EU€ 6.00 per container

This fee is applicable to all full import and export units excluding empty and transshipment units.

CMA has confirmed a new all water service direct from Turkey to Baltimore.

SOUTH AMERICA
MOL has announced a new service from Brazil to the port of Savannah.

MOL has discontinued service from Brazil to Philadelphia.

NORTHERN EUROPE
Notification for TACA to USA WB

Effective December 16, 2007 a Bunker Adjustment Factor (BAF) increase will be applicable to all published, filed tariff and service contract rates:

* Effective Date	: BAF, December 16, 2007
* Tariff Number	: 012851-053
* Rule Name	: BAF from TACA to USA

FROM: Ports and points in: UK, Belgium, Netherlands, Scandinavia, Baltic countries, Northern France, Russia (St. Petersburg), Germany and Poland.

TO: USEC, GULF and West Coast ports and points
Application: Westbound Cargo

ATLANTIC & GULF PORTS
AMOUNT: US$ 752 x TEU / US $1504 x FEU

PACIFIC PORTS
AMOUNT: US$ 1128 x TEU / US $2256 x FEU

NORTH AMERICA
The national average price of diesel fuel fell for a second straight week, dropping 9.1 cents to $3.325 a gallon, the Energy Department announced December 17, 2007.

Trucking fuel recorded an all-time high of $3.444 a gallon at the end of November before receding by 2.8 cents the first week of December.

EXPORT
There has been an increase in the last year of exports from the U.S. There is the need now to book weeks in advance with the steamship lines. The reason is due to reduced capacity on routes that are either unprofitable or with insufficient return. Many steamship lines have taken ships out of the trans-Atlantic and trans-Pacific trades to put them on more profitable lanes such as Asia-Europe. Even if space is available, it can be hard to find the equipment to get loaded.

SAMUEL SHAPIRO & COMPANY, INC. – THE LATEST

Christmas in Dubai

On October 11, 2007, Samuel Shapiro & Company, Inc. was asked to quote on a large project shipment for a 70 foot Christmas tree for the Dubai Festival City Mall. As the weeks went by the shipment grew in mass from the original 9,000 kilos to an ending weight of 20,645 kilos in air freight.

Shapiro's Dulles office coordinated day and night with the trucking company to arrange three 53 foot tractors out of Oregon for delivery by team drivers to New York to make the cut-off for a direct flight via Qantas Airlines to Dubai. The Dulles office worked through the Thanksgiving holiday weekend on the phone and following up with documentation to make sure that the freight had a safe arrival in New York and was properly loaded on the aircraft.

A portion of the consignment, which included the decorations for the tree, missed the flight to Dubai. The next available flight was not scheduled until the following week. Consequently, we arranged a new shipment via Emirates Cargo Express Service to fly the next day into Dubai to coincide with the arrival of the balance of the tree. Our customer had a team in transit to erect the Christmas tree so it was critical that all of the components arrive in a timely fashion. Shapiro's overseas agent, Charles Kendall Freight, was working with us side by side and step by step, even answering calls at 3:30 in the morning in the spirit true customer service!

The end result: all freight was delivered timely. The 70' tree was erected and Christmas at Festival City shines a little brighter because of the fabulous Samuel Shapiro & Company, Inc. team working in partnership with our agents and customer!

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 Cindy Freitas, Shapiro's Air

Export Specialist, for her outstanding performance and contributions (see the previous article!).

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.