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### *International Trade Matters*

8 February 2008

#### **At the G7 meeting, a time for honesty**

*This article is excerpted from the 8 February 2008 edition of "globeandmail.com".*

... As the top decision makers of the Group of Seven industrialized countries meet tomorrow in Tokyo, not only will they have to come to terms with the depth of the global slowdown, but they will also have to admit they have a problem and agree on a course of action.

The G7 has been slow to recognize that the subprime meltdown in the United States has spilled over, not just to the broader U.S. economy but to financial markets around the world, and to the global economy. ...

This weekend, they stand to lose their credibility if they insist on issuing their standard upbeat message about the state of the global economy....

"This will be a meeting where they will look each other in the face to say how bad it is. I think they'll all agree it's pretty bad," said John Kirton, a University of Toronto professor and director of the G8 Research Group. "But exactly how bad is it? I think they're prepared to confess, 'I don't know.' "...

U.S. Treasury Secretary Henry Paulson has indicated he will make a pitch for other countries to join the United States and create a giant fiscal stimulus package to get the global economy back on its feet.

That proposal likely won't gain much traction. European members of the G7 are constrained by European Union rules that prevent building up deficits. Japan can't afford a bailout package. And Canada's Finance Minister Jim Flaherty argues that Ottawa has already introduced enough fiscal stimulus, through tax cuts announced last fall....

Plus, the G7 officials will likely question the benefit of rolling out huge fiscal packages, which take time to put together and inject into the economy.

"What are people going to do with a stimulus package anyway? They're going to save it," said Peter Hall, deputy chief economist at Export Development Canada.

There's more hope in monetary policy, he added. The U.S. Federal Reserve has already blazed a trail by dramatically cutting its key interest rate. Canada and the United Kingdom have started cutting too. And yesterday, the European Central Bank suggested for the first time that it might be open to at least not raising rates....

But that doesn't mean the G7 meeting should be written off as a useless exercise, Prof. Kirton said.

"One of the things these guys are best at is resolving crises," he said. Since this one originated in the most powerful G7 country, and is taking most of its toll on the other G7 countries, the impetus to devise ways of action is higher than in crises past, he said.

The G7 could make rapid and meaningful progress by pressing for better practices among bond-rating agencies, and putting a limit on the amount of time financial institutions have to come clean about their exposure to financial structures related to the subprime debacle, he suggested.

They could also make some decisions about how to handle sovereign wealth funds, so that companies in trouble can accept foreign investment from such funds without handing over control to poorly understood entities, Prof. Kirton added....

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7 February 2008

### **Greek port privatization stirs wide interest**

*This article is excerpted from the 6 February 2008 edition of "American Shipper".*

Plans to privatize terminals in the Greek ports of Piraeus and Salonica (Thessaloniki) are reportedly creating strong interest by international terminal and shipping companies....

Greece wants to increase investment at the ports and make the country a transshipment hub for southeastern Europe, reports the magazine Seatrade Asia. It said COSCO, China Shipping Group, Hutchinson Port Holdings, Dubai Ports Authority, A.P. Moller - Maersk, Zim and Hanjin have all expressed interest in the ports.

A report on Southeast European Times, a Web site sponsored by the U.S. European Command, the joint military command responsible for U.S. operations in Europe, Africa and the Mediterranean Basin, said "the tender has attracted interest from groups in Denmark, China, Israel, the United Arab Emirates and Switzerland."...

Some port workers opposed to privatization or foreign ownership have held demonstrations in recent weeks against the plan.

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6 February 2008

### **Appointment of World Trade Organization Chairpersons for 2008**

The WTO General Council today (6 February) noted the consensus on the slate of names of chairpersons for WTO Bodies. The list is available on the WTO web site, at:

[http://www.wto.org/english/news\\_e/pres08\\_e/pr512\\_e.htm](http://www.wto.org/english/news_e/pres08_e/pr512_e.htm)

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5 February 2008

### **U.S. to Negotiate Investment, Financial Services Deal with Asia-Pacific Countries**

*This article is excerpted from the 5 February 2008 edition of "WorldTradeInteractive".*

The Office of the U.S. Trade Representative announced Feb. 4 that the U.S. will join negotiations on investment and financial services that are set to begin in March among Singapore, Chile, New Zealand and Brunei. The USTR notes that while a free trade agreement (the Trans-Pacific Strategic Economic Partnership) between the so-called "P-4" nations entered into force in 2006, the investment and financial services chapters of that agreement remain to be negotiated.

USTR Susan Schwab stated that these talks are part of the United States' efforts to "participate in the regional trade architecture that is emerging in the vitally important Asia-Pacific region." ... The U.S. is also pursuing this objective through the Asia-Pacific Economic Cooperation forum, which is in the process of considering a possible Free Trade Area of the Asia-Pacific, as well as through bilateral free trade agreements like the one now pending with South Korea.

A USTR press release explained the U.S. interest in remaining economically engaged in Asia by pointing out that this region is a "key driver of global economic growth, representing nearly 60 percent of global GDP and roughly 50 percent of international trade." Since 1990, total goods trade by Asia-Pacific economies has increased by 300 percent and global investment in the

region has risen by over 400 percent. U.S. goods and services trade with the region exceeded \$2 trillion in 2006 and has more than doubled in the last 12 years.

But Asia-Pacific countries are actively pursuing preferential trade agreements with each other as well as partners outside the region, the USTR added, a trend that has important commercial and strategic implications for the U.S. As of the beginning of 2008, the press release noted, approximately 100 bilateral and regional trade agreements were in force in the Asia-Pacific region, more than three times the number in 1990, and another 50 or so were being negotiated.

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29 January 2008

### **G7 goods trade grows**

*This article is excerpted from the 29 January 2008 edition of "The Journal of Commerce".*

Merchandise trade in the Group of Seven countries grew a seasonally adjusted 2.6 percent for exports and 2.2 percent for imports in the third quarter of 2007, the highest quarterly growth rate since 2005.

On a year-on-year basis, G7 trade volume growth accelerated to 5.7 percent for exports and 3.6 percent for imports, according to the Organization for Economic Cooperation and Development. The G7 comprises the United States, Canada, France, Germany, Italy, Japan, and the United Kingdom. The figures measure the value of shipments in current U.S. dollars.

In the United States, quarter-on-quarter trade exports grew 4.5 percent, while imports picked up by 1.2 percent. On a year-on-year basis, export growth was the highest of the G7 countries at 10.3 percent in the third quarter of 2007 while import volume growth remained low at 1.3 percent....

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29 January 2008

### **Poland: Traffic Jam at Border**

*This article is extracted from the 29 January 2008 edition of "The New York Times".*

The Polish government tried to defuse a crisis on the country's eastern border with Belarus, where truckers are facing a 24-mile-long traffic jam amid a wage protest by customs officers. Angered by the delay, some truckers parked across the road near the Terespol crossing and refused to let anyone pass. "This is the fourth day I've been waiting here, and I've moved just a kilometer and a half," said a trucker from Kazakhstan ....

Poland's prime minister, Donald Tusk, visited the nearby town of Biala Podlaska and made an "ardent appeal" for customs officers to return to work.

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29 January 2008

## **EU and China to boost counterfeit goods fight**

*This article is excerpted from the 29 January 2008 edition of the "Toronto Star".*

Europe and China will create a network to share information among their ports as they fight product counterfeiting that poses a growing threat to public safety, a European Union official said yesterday.

European and Chinese officials are working on a plan to fight the trade in fake medications, toys, food and auto parts, said Laszlo Kovacs, the European Commission member in charge of customs....

The plan will include an "intelligence network" linking Chinese and European ports.

China is the biggest source of counterfeit goods seized at European ports....

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29 January 2008

## **UN group adopts new draft cargo convention**

*This article is excerpted from the 28 January 2008 edition of "American Shipper".*

A United Nations Commission on International Trade Law (UNCITRAL) working group meeting in Vienna last week adopted a draft convention on contracts for the international carriage of goods wholly or partly by sea.

The working group has been meeting periodically since April 2002 to prepare a new treaty aimed at creating what UNCITRAL said would be "a modern and uniform law concerning the international carriage of goods which include an international sea leg, but which is not limited to port-to-port carriage of goods."...

"Harmonization and modernization of the legal regime in this area, which in many countries dates back to the 1920s or earlier, will lead to an overall reduction in transaction costs, increased predictability when problems are encountered, and greater commercial confidence when doing business internationally."

The proposed convention will be circulated to governments for comment and will be presented to the annual session of UNCITRAL when it meets later this year in New York from June 16 to July 3....

The proposed convention has higher package liability limits than those provided under the Hague Rules, on which the U.S. law, the Carriage of Goods at Sea Act, is based. Most countries use a different regime called the Hague-Visby rules; a smaller group uses what are called the Hamburg Rules....

The group said a breakthrough on an agreement was achieved when the limits were tied to the acceptance of the definition of "volume contracts."

The league noted that most freight today moves under volume contracts and that the new agreement will give parties the right to derogate from the limits of the convention by allowing them to contract to either higher or lower limits for rights, obligations and liabilities, subject to certain conditions.

For example, those conditions would require a prominent statement that the contract derogates from the convention and would require the contract be individually negotiated.

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28 January 2008

### **WTO chief: Recession fears could fuel protectionism**

*This article is excerpted from the 25 January 2008 edition of "The Journal of Commerce".*

Pascal Lamy, chief of the World Trade Organization, said Friday that concerns about a possible economic recession may raise the risk of trade protectionism in the United States.

"Protectionist risks are higher if there was to be a recession," Lamy told a press conference at the annual meeting of the World Economic Forum in Davos, Switzerland. "When economies grow less, there is a bit more risk of protectionism and this enhances the value of your hedging operation against protectionism."

The WTO chief said that a U.S. recession was an obvious risk. "In fact there is for sure a problem in the credit system, and in the re-pricing of the financial system. I mean for sure for the righteous reasons, and financial crisis is only one among these reasons, there is a bit more risk on the downside," he said. ...

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*US Trade Matters*

8 February 2008

### **Port Tracker expects February imports to decline**

*This article is excerpted from the 7 February 2008 edition of "The Journal of Commerce".*

As U.S. consumers continue to cut back on spending and retailers reduce their orders, February will probably be the seventh month in a row to show a decline in containerized imports from the previous year, according to the Port Tracker survey published by Global Insight and the National Retail Federation.

"Container traffic at the ports is a leading economic indicator because it reflects retailers' expectations for sales," said Jonathan Gold, vice president for supply chain and customs policy at the NRF. "With the industry expecting the slowest growth in half a dozen years, we're going to see little increase in cargo on the docks." ...

Port Tracker is projecting modest growth in volumes at the major container ports. Volume in March is expected to increase 2.5 percent over March, 2007; April, up 4 percent; May, up 1.7 percent and June up less than 1 percent compared to the corresponding months in 2007.

This forecast for modest growth means that the port, railroad and trucking industries should be fluid into the summer months. Except for possible weather-related problems in the Pacific Northwest, congestion is rated low for the port and intermodal transportation industries, said Paul Bingham, Global Insight economist.

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7 February 2008

### **U.S. May Be Backsliding on Security: Chertoff**

*This article is excerpted from the 7 February 2008 edition of "The New York Times".*

From weak border controls to the risk of chemical bombs, the United States could be backsliding on national security since the September 11 attacks, Homeland Security chief Michael Chertoff said on Wednesday.

"A couple of years after 9/11 it would not have seemed conceivable that a 'business as usual' mentality could creep back into our public mind-set. It has begun to return,"...

"I'm concerned that we are beginning to backslide," he said, citing several areas where the United States has faced trouble while seeking to get tougher on security after the September 11, 2001, attacks.

He said many residents, mayors and business owners are resisting the Department of Homeland Security's plan to build a border fence on private land -- a key part of his department efforts to stop "potential terrorists."...

He also expressed concern over last year's postponement of rules that would require passports for U.S. citizens reentering the country by land or sea from Canada, Mexico, Bermuda or Caribbean countries....

"Business groups mounted an enormous public campaign to delay our ability to put into effect the full measure that Congress mandated on secure documentation," he said....

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1 February 2008

### **Customs-Trade Partnership Against Terrorism: A Year in Review**

*The following news release was issued by US Customs and Border Protection on 31 January 2008.*

The Customs-Trade Partnership Against Terrorism and its focus on strengthening supply chain security is an important layer in U.S. Customs and Border Protection's cargo enforcement strategy. Through this initiative, CBP is asking businesses to ensure the integrity of their security practices and communicate and verify the security guidelines of their business partners within the supply chain.

The partnership, referred to as C-TPAT, has performed more than 6,900 total validations since 2003.

"Our supply chain specialists are traveling throughout the world, working with C-TPAT members to protect international commerce from the risk of terrorist incident," said C-TPAT Director Bradd Skinner.

C-TPAT accomplishments during calendar year 2007 include:

- Supply chain security specialist visited manufacturing and logistics facilities in 79 countries, representing some of the most terrorist prone and high risk areas of the world.
- C-TPAT validated 3,011 supply chains, representing a 27 percent increase from 2006. Of the 3011 validations conducted, 601 or 20 percent were revalidations. This was the first year that C-TPAT began re-verifying supply chains.
- C-TPAT certified 2,601 new members in accordance with SAFE Port Act requirements.
- C-TPAT Tier III status was granted to 17 companies as a result of the validation process.
- C-TPAT suspended or removed 112 companies from the program for security breaches or failure to meet C-TPAT's minimum security criteria as revealed in the validation process. Of the 112 companies, 47 were either conditionally or fully reinstated in the C-TPAT program after they demonstrated to CBP's satisfaction that immediate and sustained corrective action had been taken.
- Supply chain security specialists conducted on-site visits to review the security practices of those members that were involved in a security breach. Without exception no additional security breaches occurred once these companies were reinstated.
- C-TPAT made progress on additional SAFE Port Act mandates including the development of a 3<sup>rd</sup> Party Validation pilot program.
- To enhance the supply chain security processes and procedures of its members, minimum-security criteria were issued for Mexican long haul carriers, U.S. and foreign-based marine port authority and terminal operators, foreign manufacturers and air carriers. These criteria were developed in close consultation with the trade community and other US agencies where appropriate.
- C-TPAT signed a mutual recognition agreement with New Zealand's Customs Service and established work plans with several other countries to achieve similar arrangements.

- With respect to outreach, C-TPAT conducted enrollment seminars along the southwest border, in Mexico City and during its annual trade conference. Additionally, C-TPAT participated in more than 100 conferences and seminars throughout the world.

The University of Virginia conducted a survey on behalf of CBP to determine member's perceptions regarding the cost, benefits and motivations to join the program. The results demonstrated that C-TPAT has moved thousands of companies to provide closer scrutiny to the security of the goods they handle and to ensure that their overseas suppliers have implemented sound security practices. C-TPAT will undertake future studies of this sort to assess its effectiveness.

"When you consider what C-TPAT accomplished in 2007, you can see that we are producing solid results" said Skinner. "We met the SAFE Port Act's certification and validation requirements and that is a key metric for us. We are holding members accountable to meet their commitments to the program but doing so in the spirit of collaboration."

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29 January 2008

### **CBP puts \$5 billion price tag on land port upgrades**

*This article is excerpted from the 29 January 2008 edition of "American Shipper".*

U.S. Customs and Border Protection needs \$500 million per year for the next 10 years to modernize land border facilities and reduce delays entering the country, Assistant Commissioner Thomas Winkowski said ...

Backups at northern and southern land border crossings began to worsen last year in part due to additional security checks and continued travel during peak periods. But officials have also blamed a large part of the delays to inadequate capacity at checkpoints, built decades ago, to handle much smaller volumes of traffic. The North American Free Trade Agreement in the mid-1990s opened the door to record levels of trade with Mexico and Canada.

Businesses and agency officials, for example, are frustrated that attempts to facilitate truck flows are stymied by traffic leading to the plaza and inadequate space for more dedicated lanes for pre-certified drivers and shippers....

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29 January 2008

### **Trade groups seek more time for 10+2 comments**

*This article is excerpted from the 29 January 2008 edition of "American Shipper".*

A number of trade associations have asked U.S. Customs and Border Protection to extend the comment period by 30 days for its proposed rule mandating additional, up-front cargo data from international shippers for security purposes.

The 60-day comment period for the so-called "10+2" notice of proposed rulemaking runs through March 3. The American Association of Exporters and Importers, National Industrial Transportation League, Joint Industry Group, and seven other organizations asked in writing that comments be allowed through April 2 to allow for more thorough responses.

The new security filing would require importers to submit 10 pieces of information about the origin, destination and contents of their cargo. Carriers will file container status messages and stowage plans.

Meanwhile, CBP is reassembling the team of field officers and targeting personnel who helped design the 10+2 proposal to consult on technical changes to the agency's systems. The goal is for data to be visually appealing and integrated with the Automated Targeting System that flags high-risk containers for inspection, ...

CBP is also developing training programs for analysts on how to understand the new data and outreach programs to explain compliance to importers, carriers and transportation intermediaries responsible for transmitting the security filing, ....

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28 January 2008

### **Commerce Dept. to expand export control list**

*This article is excerpted from the 28 January 2008 edition of "The Journal of Commerce".*

The Department of Commerce Bureau of Industry and Security will issue regulations in the near future to expand the list of foreign "entities" that are engaged in activities that threaten U.S. security.

The list currently covers foreign parties involved with weapons of mass destruction. The expanded list will cover groups engaged in the proliferation of conventional weapons and those that support terrorist activities, a BIS official said on Friday....

... BIS will update export control lists, and promote "validated end-user" program for foreign companies that import U.S.-made technology that has potential military use. The bureau also will refine and prioritize its enforcement efforts, and provide more information about foreign customers to U.S. exporters....

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28 January 2008

### **GAO Calls for More and Better Data on Effectiveness of Container Security Initiative**

*This article is excerpted from the 28 January 2008 edition of "WorldTrade/Interactive".*

The Government Accountability Office released recently a report indicating that U.S. Customs and Border Protection needs more and better information on the effectiveness of the Container Security Initiative. The report states that while CBP has made significant progress in expanding and developing this program since 2003, it continues to face several management and

operational challenges that may limit its ability to ensure that CSI provides the intended level of security for U.S.-bound container cargo.

The GAO points out that CBP has taken actions to enhance its evaluations of CSI team activities, which help program managers understand why results occur and what value CSI adds. For example, CBP is now testing the proficiency of the officers who identify high-risk cargo and has introduced an electronic tool that enables evaluation teams to systematically record their evaluative data. However, limitations remain in CBP's evaluation process that affect the accuracy and completeness of the information available for making management decisions about CSI as a whole. Evaluators do not always use the data collection tools as intended, which makes it difficult for CBP to ensure that evaluations are consistently carried out. Also, evaluators do not always follow up on recommendations made in previous evaluation reports, meaning that CBP cannot ensure that previously identified problems have been addressed.

A particular area of concern, the report states, is that CBP lacks information about a very important aspect of CSI – the overall examination systems used by host governments to examine high-risk container cargo. On the one hand, CBP's efforts have led to the successful participation of a wide array of foreign governments in the CSI program, and CBP has established many cooperative relationships with its foreign partners. And while the GAO acknowledges that CBP cannot force security requirements on foreign governments, the lack of systematically gathered information about the examination systems they use is problematic.... CBP lacks guidelines and criteria for most of the equipment, people and processes used by such systems for evaluating CSI seaport operations and determining overall program effectiveness. The GAO states that in light of the new 9/11 Act requirement that 100 percent of U.S.-bound container cargo be scanned in the future at foreign seaports before leaving for the United States, it is important that CBP have programs in place to gather the information necessary to ensure that cargo container examinations, and the equipment used as part of the examination process, are reliable, regardless of the point of origin.

CBP has also encountered problems in measuring the performance of CSI, due to the challenges involved in creating effective performance measures as well as the great difficulty in measuring the deterrent effect of the program.... CBP, Congress and the public lack the information needed to determine the extent to which CSI is performing as intended.

Other GAO findings include the following.

- CBP continues to rely, in part, on a temporary workforce at CSI seaports; has yet to determine how to optimize its staffing resources,....
- There are a number of hurdles to cooperation between CSI teams and their foreign counterparts, such as host country legal restrictions that CBP officials say prevent CSI teams from observing cargo examinations.
- CBP continues to face logistical difficulties inherent in a seaport environment that are often outside of its control, such as high-risk container cargo that is infeasible to access for examination.