

# BRIEFINGS

## CUSTOMS REVENUES

In FY 2003 [Customs](#) collected \$24.7 billion; up \$1 billion from FY 2002. Customs processed 26.1 million trade entries representing \$1.2 trillion in imports. Canada, China, and Mexico are our three largest trading partners. In 1970, imports were \$39.9 billion and duty collections were \$2.6 billion; in 1990, imports were \$495.3 billion and duty collections were \$16.3 billion.

## AIR FREIGHT SECURITY

- CBP is expected to publish a notice in the [Federal Register](#) that delays the March 4, 2004 compliance date for inbound air shipments. Compliance dates for inbound rail, inbound truck carrier and outbound for all modes are expected soon.
- The Transportation Security Administration (TSA) issued all-cargo international security procedures to all foreign air carriers that perform cargo operations to and from or over the United States. 69 Fed. Reg. [3939](#) (Jan. 27, 2004).

## POST ENTRY AMENDMENT

The Bureau of Customs and Border Protection has extended the general program test regarding post entry amendments until Dec. 31, 2004. The program allows importers to file amendments prior to liquidation with the CBP on a quarterly basis or upon discovery of the error. 69 Fed. Reg. [5860](#) (Feb. 6, 2004).

## 2004 FIRM SEMINARS

The Firm will be hosting a series of free seminars exclusively for clients in March, May, July, and at the NAFTA Conference in October. There is a waiting list for the FTZ Training Seminar in March. A brief description of each [seminar](#) is available on our web site.

## BOND APPLICATIONS

Customs has posted to its website a [list](#) of the most common causes for continuous bond applications being rejected. Customs also provides a proposed solution to the issue that causes the bond application to be rejected.

## HTSUS CH. 98 & 99

Clients are encouraged to review Chapters 98 and 99 of the Harmonized Tariff Schedule of the United States (HTSUS). There are new classifications within Chapters 98 and 99 that provide for the duty-free treatment of imported goods.

## FSC/ETI REPEAL

Congress must soon repeal the Foreign Sales Corporation/Extraterritorial Income (FSC/ETI). Beginning March 1, 2004, the European Union plans to initially impose additional tariffs of 5% on U.S. goods increasing 1% per month to 17%. The EU will not accept a phase-out period. The EU has a long [revised list](#) of target products.

## SEA AMS - SPECIAL BILL

CBP has issued a set of responses to 18 "technical" frequently asked questions (FAQ) related to the Sea Automated Manifest System (AMS) Special Bill process (the new non-vessel operating common carrier (NVOCC) and Master vessel operating common carrier (VOCC) bill types). CBP's Special Bill [FAQ](#) (12/08/03).

## STATE DEPT. LICENSING

The D-Trade electronic defense export system became effective Jan. 15, 2004. The Directorate of Defense Trade Controls (DDTC) processes and reviews actual export authorization requests electronically. Complete details on the new electronic licensing system can be found at [www.pmdtc.org](#).

## EXPORT PENALTIES

Informally, the Census Bureau has indicated that new regulations on exports will be published in 2004 containing civil and criminal penalties for failure to file accurate documentation. The use of the Customs penalty structure including 592 type penalties is being discussed.

## ADVANCED MANIFESTS

Clients are reminded that effective March 4, 2004, the advanced filing of cargo manifests must be made via AMS for all ocean carriers, as defined in 19 C.F.R. § 4.7(b)(5).

## RECORDKEEPING

Illustrating the importance of keeping full and accurate records of import activity, the Court of International Trade ordered an importer to pay \$642,612 in penalties for negligent recordkeeping. The importer's records were found insufficient to support values declared on Customs entries and subsequent attempts at prior disclosure. *U.S. v. Yuchius Morality Company, Ltd.*, CIT Slip Ops. 02-124 & 02-146 (Oct. 18, 2002, Dec. 11, 2002).

## U.S.-CHILE/SINGAPORE FTA

The Bureau of Customs and Border Protection issued [instructions](#) regarding the qualification of claims for preferential treatment under the U.S.-Chile/US Singapore FTA. The instructions are subject to change once the FTA regulations are implemented.

## FDA/CBP IMPORT BLITZ

In November 2003 U.S. Customs and Border Protection (CBP) and the Food and Drug Administration (FDA) conducted an examination on foreign drug shipments moving through courier hubs. A similar "blitz" was conducted last summer on mail shipments. The examination of 1,982 parcels found 80% of the drugs were exported from Canada. The FDA found 1,782 unapproved drugs. The [findings](#) included incorrect labeling, recalls, special storage requirements, physician monitoring, and addictive controlled substances. FDA News (01/27/04).

## FAST

An updated [document](#) reviewing the objectives and benefits of the U.S./Canada Free and Secure Trade (FAST) program for border highway carriers and commercial drivers has been released by Customs on its web site.

## FTAS

- President Bush in his State of the Union address on January 20<sup>th</sup> made a reference to free trade agreements in only one sentence of the entire speech.
- Australian negotiations continue. Major concerns include sugar, lamb, and the treatment of pharmaceutical products.
- The U.S.-Morocco FTA negotiations are near complete. It is expected that the negotiations will be concluded in the next few weeks.
- Negotiations with Bahrain began on January 26<sup>th</sup> with the goal of concluding of negotiations by year-end.
- The U.S. has announced its intent to negotiate FTAs with Kuwait and Thailand.

## HTSUS UPDATE

Customs has issued an Administrative Message notifying ABI filers that certain changes have been made to the 2004 Harmonized Tariff Schedule of the United States HTSUS. ADM [04-0131](#) (Jan. 28, 2004).

## APHIS

The Animal and Plant Health Inspection Service (APHIS) is expected to issue a final rule shortly to require imported solid wood packing material (SWPM) to be either heat treated or [fumigated](#) with methyl bromide, as well as marked, prior to importation. The international standard was approved by the Interim Commission on Phytosanitary Measures of the International Plant Protection Convention on March 15, 2002.

## CUSTOMS BROKER EXAM

Customs has posted to its web site the October 2003 Customs broker exam and answer key. Pass rate for the exam was 16.5%, an increase from the 9.7% pass rate for the April 2003 exam. The next Customs broker exam will be held on Monday, April 5, 2004.

## CAFTA

- Negotiations with Costa Rica have now concluded. Costa Rica will now be included as one of five nations that are part of the U.S.-Central America Free Trade Agreement (CAFTA). The Dominican Republic may be added later.
- Close examination of the CAFTA terms reveal a structure that is more complex and difficult to administer than current practice. For more information, contact Sean Murray.

## EXPORT CONTROL

In conjunction with the January 7th State Department notice removing certain quartz rate sensors from the U.S. Munitions List (USML), Commerce has issued a final rule establishing that quartz rate sensors that are integrated into, or exported for integration into, a navigation system for commercial aviation are under the licensing jurisdiction of the Department of Commerce. Other exports of these types of sensors will remain under the jurisdiction of the Department of State. This arrangement deviates from the general practice. 69 Fed. Reg. 5928 (Feb. 9, 2004).

## MAD COW-IMPORTS

The Bureau of Customs and Border Protection (CBP) is offering guidance in regard to re-entry of U.S. goods that may have been refused due to the recent [mad-cow](#) scare.

| FOREIGN-TRADE ZONES BOARD<br>ACTIVITY AS OF 2/15/04 |          |                         |
|---|----------|-------------------------|
|   | APPROVED | CURRENTLY<br>AUTHORIZED |
| ZONES   | 259      | 246                     |
| SUBZONES  | 530      | 449                     |
| PENDING   |          |                         |
| ZONES   | 2        |                         |
| SUBZONES  | 10       |                         |
| MISCELLANEOUS                                       | 30       |                         |
| AVERAGE PROCESSING<br>TIME (MONTHS)                 |          |                         |
| ZONES   | 7        |                         |
| SUBZONES  | 8        |                         |