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Break**bulk**

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File Photo

TACKLING NTBs

Non-Tariff Barriers Undermine Trade By Alan M. Field

Unfamiliar sanitary requirements, arcane technical standards and complex local content requirements. Customs procedures that vary from port to port within the same country. Officials who refuse to approve the movement of heavy manufactured goods or equipment until they receive “contributions to the state.” All of these fall under the rubric of “non-tariff barriers” to trade.

For many manufacturers of machinery and equipment that do business in Africa, Asia, Latin America and the Middle East, they have long seemed unavoidable.

But after the gradual enactment of tariff-cutting free-trade agreements around the world, the global trade community is now focusing on eliminating NTBs. These undermine much of the economic value in highly touted trade pacts.

“The next big wave of benefits for manufacturers will come from trade facilitation,” said Lauren Airey, director of trade facilitation policy for the U.S. National Association of Manufacturers, or NAM.

How much is at stake? According to a recent report by the World Economic Forum, based in Geneva, Switzerland, if every country improved only two key supply-chain barriers — such as border administration, transportation or communications infrastructure — global GDP could increase by \$2.6 trillion (4.7 percent) and exports by \$1.6 trillion (14.5 percent).

The WEF report is not the only recent study to reach such a conclusion. In March, the Organization of Economic Cooperation and Development, or OECD, issued its own trade-facilitation report that highlighted the benefits for 107

countries at various stages of their development. The report concluded that trade-facilitation measures could potentially reduce overall trade costs by 10 percent.

“Traditionally, people who were interested in the trade process focused on the issue of [improving] market access” by lowering tariffs, said Airey. “But as tariffs go down, non-tariff barriers, customs and other issues are increasingly the focus.”

Dramatic Benefits

Why is removing NTBs so effective? Although leading global firms are already spending huge sums of money on customs compliance, the lack of uniformity in global regulations means that companies are not gaining the full benefits of playing by the rules, said Nasim

Deylami, manager of customs and trade facilitation for the United States Council for International Business, or USCIB.

Overall, the trade facilitation initiatives outlined in the WEF report would eliminate resource waste, whereas abolishing



Lauren Airey

tariffs primarily reallocates resources. On the other hand, reducing supply chain barriers is more difficult because it requires investment. Tariff reductions only require the stroke of a pen.

Reducing NTBs is profoundly worthwhile, however. “In the long run, trade facilitation promotes a shift in resources to more productive industries and firms, thereby increasing productivity and wages, according to the report.

The benefits of reducing such barriers are dramatic, say trade facilitation experts. One example is the ATA Carnet, an international customs and temporary export-import document used for clearing customs in 82 countries and territories without paying duties and import taxes on merchandise that will be re-exported within 12 months.

The ATA Carnet enables companies to export goods temporarily from one country to another, such as samples of

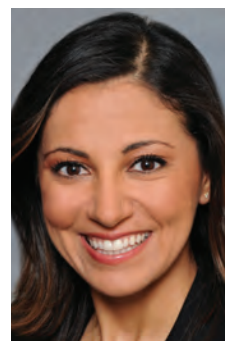
industrial machinery to exhibit temporarily at a trade fair. It has become an invaluable marketing tool for companies that sell heavy machinery and equipment.

Despite its popularity in the industrialized world, however, it is not used universally. Because of that, the ATA Carnet also illustrates the drawbacks of any program that is not worldwide.

For example, Deylami noted the case of one USCIB-member company that wanted to transport some of its equipment into a country where the ATA Carnet was not accepted. After its equipment was seized by that country’s customs agency, the company had to re-apply several times over a period of weeks to regain access to it for re-export home. On each occasion, the company’s representative was asked to follow a specific procedure, only to discover that it

was not really the “right” process, Deylami said.

“We were thrilled to see the [WEF] report come out,” she said. “Several of our member companies participated. The findings echo what we have been saying forever.”



Nasim Deylami

Jerry Cook, vice-president of government and trade relations at Hanesbrands Inc., pointed out that in an age when more manufacturing companies have globalized their supply chains, small companies are especially hurt by the inefficiencies of crossing borders. Larger companies are better able to manage the problems, he said.

Reducing Corruption

Another major goal of trade facilitation initiatives is to eliminate most, if not all, of the corruption currently baked into global trade. Despite progress in many countries, corruption remains endemic among officials in many developing countries, according to surveys of executives conducted by Transparency International and other organizations.

The original mission of customs agencies, said Cook, was “to validate trade; to determine what is valid to bring

in and by whom.” However, that mission has often been obscured under bloated bureaucracies, he said.

“Many companies that are routinely cited for bribery would have less temptation” if agencies were compelled to harmonize their trade-validation processes to be “more predictable, more transparent and more electronic,” Cook said.

How to Facilitate

What steps can be taken by manufacturers to promote such progress? In the U.S., Airey said that NAM would like to see some improvements made by statute.

The association wants to see the U.S. government develop an account management system for trade facilitation based on the “trusted trader” model of the U.S. Customs-Trade Partnership Against Terrorism. C-TPAT is a government-business

initiative to strengthen and improve the overall international supply chain and U.S. border security in the wake of the Sept. 11, 2001, terrorist attacks.

Along those lines, the Customs Reauthorization Bill, introduced Dec. 13, would facilitate and



Jerry Cook

streamline the flow of legitimate trade by providing benefits to “trusted traders” and establishing a Certified Importer Program for compliant importers.

Among other measures, the bill would reduce paperwork for e-commerce transactions and establish Centers for Excellence and Expertise within the Customs and Border Patrol, or CBP, to speed up entry transactions and address uniformity issues.

The bill would also establish performance measures for key CBP programs and raise the informal entry and de minimis amounts to reduce paperwork and facilitate the movement of shipments that are not especially valuable.

The Customs Reauthorization Bill “would put the stamp of approval on what the CBP has been doing,” said Airey. She praised the current pilot programs for Customs Centers of Excellence for providing “great benefits.”

Airey also lauded the Beyond the Border Action Plan, a trade initiative involving both the U.S. and Canada, as a “very ambitious” effort to harmonize customs procedures in the two countries that could become a model for trade-facilitation efforts elsewhere.

Despite friction on so many other issues in the U.S. Congress, the House of Representatives and the Senate have worked harmoniously to pursue such goals. “Business sees Customs and the American government as its partner,” Cook said. “Everyone [in Congress] owns the success of the process.”

Highly professional agencies in such countries as the United Kingdom, Australia and New Zealand are also “very engaged” in developing best practices for meeting these challenges, said Hanesbrands’ Cook.

This sort of engagement will play a key role in the information-based harmo-

The expanding mandate and workload of Customs requires a sharper ability to identify which goods or travelers should be allowed free passage and which should be stopped and checked.

nization of customs practices around the world, according to the World Customs Organization, or WCO. These initiatives will require enhanced cooperation among businesses and customs agencies based on the collection and sharing of accurate, real-time data about shipments.

In its most recent mission state-

ment, the WCO noted, “The emphasis is shifting to automation and intelligence-based risk management to facilitate the movement of legitimate goods and to focus resources on high-risk areas. The expanding mandate and workload of Customs requires a sharper ability to identify which goods or travelers should be allowed free passage and which should be stopped and checked.

“Scarce resources need to be targeted on high-risk, non-compliant traders. Customs administrations are introducing measures to obtain as much information as possible in advance, and prior to the arrival of goods, to make timely and effective risk-based decisions. This, in turn, has resulted in the introduction of modern information technology that enables the secure, real-time exchange and receipt of information, risk profiling and processing of declarations.” **BB**



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