

OEC NEWS

OUR EXPERTISE YOUR ADVANTAGE

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ILLEGAL IMPORTS: HOW TO COMPLY WITH U.S. TRADE LAW

In 2012, a honey importer found themselves in a sticky situation when an employee was sentenced to two years in federal prison for evading import duty totaling nearly \$1.5 million. The company fraudulently declared 26 shipments of Chinese honey as originating in South Korea to avoid paying anti-dumping duty. Over the course of this article, we will dissect the case leading a supply chain manager to attempt to defraud the United States government and avoid anti-dumping duty.

WHAT ARE ANTI-DUMPING AND COUNTERVAILING DUTIES?

The U.S. government imposes anti-dumping and countervailing duties on imports to level the playing field for domestic industries injured by unfairly traded imports. Under the Tariff Act of 1930, U.S. industries may petition the government for relief from imports that are sold in the United States at less than fair value, also referred to as dumped, or which benefit from subsidies provided through foreign governments. The U.S. Department of Commerce then determines whether the dumping and/or subsidizing exists and to what degree. The goal of anti-dumping and countervailing duties is to protect domestic businesses by offsetting the value of dumping and subsidization.

Anti-Dumping Duty – If the U.S. government determines a product is dumped, meaning a foreign manufacturer is selling their product in the U.S. at less than the origin fair market value or cost of production for the product, additional duty is

assessed to bridge the gap to a fair market value.

Countervailing Duty – The U.S. government imposes additional import taxes if a foreign government is found to be subsidizing, or providing financial assistance to benefit, the production or exportation of goods.

Members of the agricultural industry initially petitioned the U.S. government to assess anti-dumping duty when their margins were affected by imported honey from China being sold at less than origin market value. The U.S. Department of Commerce imposed a duty rate of 183% of import value on Chinese honey at the time of import in this case. The following year, the duty rate on Chinese honey increased to 212% of import value.



IMPLICATED RISKS TO IMPORTING

Though federal courts determined the company employee in question intentionally defrauded the government when they falsely declared the honey hailed from South Korea instead of China, customs brokerage is complicated, opening honest importers to risk. It is crucial for logistics professionals to commit to their due diligence and seek customs expertise whenever necessary.

Consider the following tips to mitigate your risk and help your imports move through customs as smoothly as possible:

Knowing the Harmonized Tariff Schedule (HTS) number of your imports can be a helpful first step to determining whether additional duty could apply. However, it is important to keep in mind that the written scope description is the controlling factor in whether your products will be subject to anti-dumping and/or countervailing duties.

Take time to secure the correct bond type. Many importers who ship consistently hold continuous bonds rather than single entry bonds. In the case of anti-dumping and countervailing duty, surety companies are unlikely to issue continuous bonds without full collateral.

Bear in mind that initial anti-dumping and countervailing duty payments at the time of customs entry are only considered a deposit. Additional duty may be owed at the time of liquidation of anti-dumping and countervailing duty entries. The U.S. Department of Commerce can take several years to issue liquidation instructions, all the while the liability pertaining to these shipments looms over your balance sheet.

Beware of transshipping, which is sometimes used to evade duty. This occurs when an anti-dumping or countervailing duty product made in a country where duty applies is shipped to another country where duty does not apply, repackaged, and then shipped to final destination. Importers need to protect their business by knowing their manufacturers and country of origin of their products. Insufficient knowledge of supply chain partners could lead down an incriminating path.

THE DANGERS OF DUTY EVASION

Duty evasion is a federal offense, costing fraudulent importers jail time and upwards of a million dollars in fines to the U.S. government. In addition to penalties earned for known offenses, parties involved in defrauding the government risk scrutiny on past and future transactions. A thorough understanding of your supply chain is crucial to effectively manage your business and mitigate risk. And, when in doubt, seek the expertise of your logistics partners to guide your business.

Sources:

<https://www.cbp.gov/trade/priority-issues/adcvd/antidumping-and-countervailing-duties-adcvd-frequently-asked-questions>

<https://www.ice.gov/news/releases/chinese-honey-importer-sentenced-2-years-evading-import-duties>

5 COMMON MISCONCEPTIONS AND MISTAKES IMPORTERS MAKE

International shipping is a complicated process, especially if you are new to importing. This month, OEC Group's Customer Service Experts share tips on avoiding some common mistakes made by importers.

1

DEMURRAGE –WHAT IS IT?

Terminals and rail ramps charge demurrage when containers remain past their contracted free time. Like warehouses, terminals and rail ramps have finite space, and like warehouse operators, terminal/ramp operators expend time and energy to ensure a smooth flow of goods (containers) through their facilities. Dwell time – the length of time a container stays at the terminal/ramp – is a significant part of the equation. Demurrage is meant as a penalty to ensure the flow of containers is kept moving.



3

ETA VS. ACTUAL TRANSIT TIME

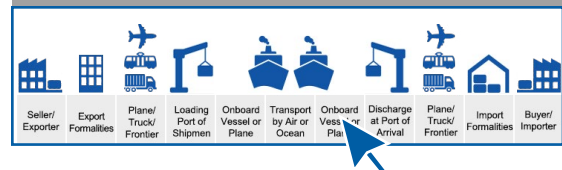
Often, new importers expect their cargo will be available to them on the ETA, but our logistics experts insist customers benefit from seeing the whole picture. This date frequently changes and does not account for the time it takes for cargo to be discharged from a vessel, final destination delivery, unload time, and other possible factors depending on your shipment type.



2

WHAT IS YOUR INCOTERM?

It is vitally important to understand your Incoterms as this set of pre-defined international rules determine who pays for each part of transport, insurance and handling costs, as well as when risk is transferred from the seller to the buyer. Misunderstanding can result in unexpected and costly charges. If you are unclear on your Incoterm, itemize everything and assign ownership item by item to help identify your term.



4

OCEAN RATE VOLATILITY

Shipping rates do not remain level throughout the year. External political, economic and seasonal factors can impact supply and demand causing rates to fluctuate.



5

DOT YOUR I'S AND CROSS YOUR T'S

The most common cause of delay our customer service team encounters—missing documents. Making sure to stay proactive in sending the correct paperwork on time for each shipment will help keep your cargo on track.



Happy Easter

Did you know that Easter is the **second** biggest candy eating holiday in the USA.

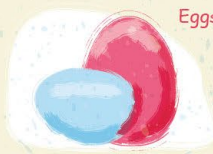
90 Million



700 Million



91.4 Billion



Are produced in the U.S. each year.

Top Exporters of Chocolate to the U.S. in 2018



Americans consume more than **16 million** jelly beans during Easter. That's enough jelly beans to circle the globe not once, not twice, but **three times** — or to fill a plastic egg the height of about **10 and a half** containers stacked on top each other.



76% of Americans believe that chocolate bunnies should be eaten ears first.

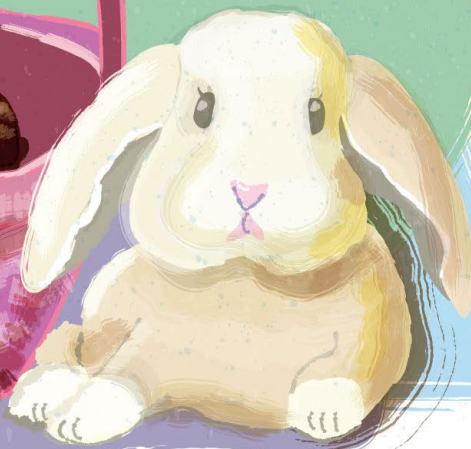


5% start with the feet

4% go for the tail

87% of parents will buy or make Easter baskets for their children

and 81% will then proceed to steal candy from them.



Around **70%** of candy bought for Easter is chocolate!



Source: Panjiva
<https://longitudes.ups.com/easter/>
<https://www.popsugar.com/food/Easter-Fun-Facts-200482>
<https://www.chocolatefetish.com/2017/04/04/handmade-chocolate-bunnies/>
<http://www.guinnessworldrecords.com/news/2016/3/easter-weekend-ten-egg-ceptional-world-records-to-get-you-in-the-mood-421867>
<https://www.elitedaily.com/life/culture/facts-about-easter/986079>

A large-scale photograph of a busy port. In the foreground, there are stacks of colorful shipping containers (blue, green, white, and red) and a white semi-trailer truck. In the background, a large red and white cargo ship is docked at a pier, with several tall red gantry cranes extending over the water. The sky is overcast.

ABOUT OEC GROUP

At OEC Group, we have demonstrated our commitment to customer service in trans-Pacific trade for more than 35 years. Founded in 1981, OEC Group had a vision to provide comprehensive logistics services to clients. Today OEC Group serves destinations throughout the world and has grown into one of the leading logistics providers in North America. With over fifty offices worldwide, we take pride in being close to your cargo at all times.

OEC Group is monitoring and adapting to the changing market. We are well positioned to make continuous improvements to your supply chain using the fastest, most efficient and cost-effective services available. We work tirelessly to stay on top of the ever-changing logistics industry with the goal of delivering the most current information and services to you, our customer.

Our business is making our logistics expertise, your competitive advantage.