

IMPORT TRADE TRENDS

FISCAL YEAR 2011, YEAR-END REPORT



MERGING SECURITY AND ECONOMIC PROSPERITY

U.S. CUSTOMS AND BORDER PROTECTION

MESSAGE FROM THE ASSISTANT COMMISSIONER



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When we look back at fiscal year 2011, we can feel optimistic about the future. Last year, imports increased so significantly that they even surpassed 2008 levels, their highest point before the dramatic downturn in the economy. This is an encouraging sign, not just for the U.S. trade community, but for the American economy in general.

As many of you know, domestic economic health can be measured by the value of our imports. During fiscal year 2011, U.S. Customs and Border Protection (CBP) processed imports valued at \$2.3 trillion, a 10.5 percent increase over import values processed the previous year.

But that's not the only indicator of a recovering economy. The agency generated more than \$37 billion in revenue for the U.S. Treasury last year. Nearly \$30 billion of that revenue came from the collection of duties. What is most promising about this figure is that it is a substantial increase of more than \$4 billion over duties collected during fiscal year 2010.

These highlights are just a portion of the story that is told in this issue of *Import Trade Trends*. The narrative in this year-end report also has some critical

messages about CBP's approach to trade—how it has evolved since the agency was established after the tragic events of September 11, 2001.

Until recently, trade and security were viewed as dual missions of the agency that required a delicate balance—but security was always the dominant focus. Under the leadership of former Commissioner Alan D. Bersin, all of that changed.

Bersin introduced the concept that trade and security are intertwined. By enforcing trade law in a holistic manner with trusted partnerships, there doesn't need to be a schism between ensuring the smooth flow of cargo and travelers and keeping the supply chain safe. To the contrary, he believed that the solutions to protect our nation are inherently linked to its prosperity.

This trade vision is now being carried forward by Acting Commissioner David V. Aguilar who took the reins of the agency when Bersin's appointment ended at CBP in December 2011. Acting Commissioner Aguilar is also committed to driving down transaction costs that can hinder the nation from flourishing. For this reason and many others, we can feel very positive about a bright outlook ahead.

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- The almost \$2.3 trillion in imports in fiscal year 2011 shows a 10.5 percent increase over fiscal year 2010 import values, reflecting a positive outlook for a recovering economy and increased consumer purchases.
- While total imports in fiscal year 2009 reached their lowest levels since fiscal year 2005, import values are projected to continue modest growth through fiscal year 2012.
- Thirty-one percent of the total import value in fiscal year 2011 was dutiable, staying consistent with the past several years' dutiable imports.
- Total revenue collections increased 16 percent compared to fiscal year 2010, which is double the increase from fiscal year 2009 to fiscal year 2010.
- Antidumping/countervailing duty deposits increased over fiscal year 2010 figures.
- The revenue gap (estimated uncollected duties due to noncompliance with trade laws, expressed as a percent of all collectable revenue from commercial U.S. imports) was measured as 0.9 percent of all collections, and totaled \$342 million.
- The compliance rate for material discrepancies for fiscal year 2011 was 96.7 percent.
- Entry volume increased by almost 1.3 million entries, and line volume increased almost 6.4 percent over fiscal year 2010.
- Consignees totaled more than 754,000 for fiscal year 2011, a slight increase over fiscal year 2010.
- Ten commodity groups from the Harmonized Tariff Schedule (HTS) accounted for 71 percent of fiscal year 2011 import value, a four percent increase over fiscal year 2010 for products from those ten chapters. Petroleum Products (Tariff Chapter 27) led the way, followed by Machinery and Parts (Chapters 84 and 85), Vehicles and Parts (Chapter 87), American Goods Returned (Chapter 98), Jewelry and Precious Stones (Chapter 71), Optical/Measuring Devices (Chapter 90), Chemicals (Chapter 29), and Textiles (Chapter 61).
- Petroleum products, from HTS Chapter 27, accounted for 18 percent of all imports by value.
- China was the top U.S. trading partner by import value in fiscal year 2011, followed by Canada, Mexico and Japan, respectively.

A Year of Merging Security and Prosperity



Say the words, “September 11, 2001,” and images of death and destruction come immediately to mind. With nearly 3,000 people killed in those terrorist attacks, on that day “the highest priority became preventing terrorists and terrorist weapons from entering our country,” then-U.S. Customs Service Commissioner Robert C. Bonner said.

Less visible, but with longer-term effects, was the attacks’ crippling impact on the U.S. economy. By driving two passenger planes into the twin towers—targeting the financial capital of the U.S.—al-Qaida symbolically targeted not only Americans, but the American way of life, specifically travel and trade. A 2002 Congressional Research Service report noted that the long-term costs of increased security would likely be “greater impediments to the free movement of goods, services, and capital....(which) have contributed immeasurably to the integration of the world economy and its efficient functioning.”

After the founding of U.S. Customs and Border Protection in 2003, responding to terrorism effectively became a thorny challenge for the agency

charged with defending America’s borders. On the one hand, total vigilance would seem to demand virtually closing down the borders for a total inspection of every person, package and container coming through. As one CBP officer remarked, “I don’t want to be the one responsible for letting someone in [who would go on to commit an attack].”

Yet if nothing and no one can enter the country without a full, hands-on inspection, the terrorists would win a shattering victory of another kind.

The dual imperatives to keep dangerous people and things out while allowing legitimate travel and trade to flow in led agency officials to adopt the phrase, “a balanced approach to security and facilitation.” It became almost axiomatic that these two goals were opposed, in a sense, and that managing them was a delicate dance.

Leaders of the agency tried to reassure the trade in particular that security would not trump competitiveness. In 2006, then-Commissioner W. Ralph Basham articulated a CBP theme of increasing importance, that security could be a win for industry.

CBP INITIATIVES FOR 21ST CENTURY TRADE

To modernize, streamline and converge security with the smooth flow of cargo, CBP continues to implement initiatives that aim for fully aggregated risk management. These initiatives fall into four strategic categories of enhanced targeting, segmented risk, expedited trade, and transaction savings.

Select initiatives include:

- **Automated Commercial Environment (ACE)**
 - Provides a single platform for CBP, trade and other government agencies to request, submit and share import data
- **Air Cargo Advance Screening (ACAS)**
 - Security filing that provides advance air cargo information to enhance focus on high-risk shipments
- **Centers of Excellence and Expertise (CEEs)**
 - Allows ports of entry to more effectively focus on high-risk shipments and importers, while providing a single contact point for resolving holds and other barriers to trade
- **Importer Security Filing (ISF)**
 - Security filing that provides advance ocean cargo information to enhance focus on high-risk shipments
- **Simplified Entry**
 - Allows importers, filers and carriers to transmit streamlined data to CBP earlier in the process allowing for enhanced information sharing and expedited resolution of holds prior to arrival
- **Simplified Summary**
 - Enables trusted partners to pay duties, taxes and fees on a monthly basis rather than per transaction

Table 1: Alignment of Trade Transformation Objectives with Program Initiatives

	ACE	ACAS	CEEs	ISF	Simplified Entry	Simplified Summary
Enhance Targeting	●	●		●	●	
Segment Risk		●	●	●		
Expedite Trade	●		●		●	
Transaction Savings	●		●		●	●

The key factor in realizing this vision is end-to-end visibility of accounts, yielding a holistic view of the supply chain. This will enable the agency and its trade partners to realize truly meaningful efficiencies in processing imported cargo.

In his words, “Companies are realizing collateral benefits from improved security...and are moving more goods across international borders faster and more efficiently.”

Intuitively, the mission of revenue collection does not exactly mesh with the enforcement of border security. When CBP Commissioner Alan D. Bersin assumed leadership in 2010, the contradiction dissolved completely. As he stated to the U.S. Chamber of Commerce in 2011, “At CBP, we believe security and facilitation of international travel and trade are actually the same phenomenon.”

Before Commissioner Bersin, CBP’s trade security programs were distinct from those on the trade facilitation side. The Customs-Trade Partnership Against Terrorism (C-TPAT) was specifically designed to reward trusted importers for practicing high standards of cargo security; the Importer

Self Assessment (ISA) program rewarded trade compliance.

During Bersin’s tenure, however, C-TPAT and ISA began to merge. Under CBP’s new Center of Excellence and Expertise program, for example, companies enrolled in both programs are eligible to participate in an initiative that gives them industry-specific expertise and customer-centric account management as they bring goods into the country.

The CEEs launched in October 2011 with a pharmaceuticals center and an electronics center, but more are planned to launch rapidly. As the initial announcement noted, participating companies that have proved their security mettle are rewarded with measures to increase “uniformity of practices across ports of entry, facilitate the timely resolution of trade compliance issues nationwide, and further strengthen critical agency knowledge on key industry practices.”

Members of the trade community attend the 2011 CBP Trade Symposium themed “Working Together to Strengthen Economic Competiveness”; sessions addressed issues such as enhancing air cargo security through collaborative supply chain security.



CENTERS OF EXCELLENCE AND EXPERTISE

In October 2011, U.S. Customs and Border Protection established two industry-specific centers to better serve the importing community. Located in New York and Los Angeles, the Centers of Excellence and Expertise (CEEs) are dedicated to pharmaceuticals and electronics, respectively.

The purpose of these centers is to ensure that all of CBP's trade expertise is brought to bear on a single industry in a strategic location. The centers are staffed with subject matter experts who are also skilled in the use of account management principles to authoritatively facilitate smooth and secure importing processes.

The centers represent the agency's intention to transform trade for the 21st century – aligning traditional customs procedures with a modern, technology-driven business environment. Over time CBP plans to create additional centers to cover the full range of imported products.

The advantages of this risk-segmented approach are threefold:

- A more uniform and consistent transaction at the point of entry, especially for small to medium-size importers;
- A single point of contact who can respond quickly to questions with meaningful authority;
- Retention of the vast institutional knowledge that CBP has acquired.

Initially, the centers will serve as a single point of processing for businesses enrolled in CBP's trusted shipper programs: the Customs-Trade Partnership Against Terrorism and Importer Self-Assessment.

On a broader level, the centers will serve as resources to the broader trade community and to CBP's U.S. government partners. Center personnel will answer questions, provide information and develop trade facilitation strategies to address uniformity and compliance concerns.

By redirecting work involving trusted shippers to centralized, industry-specific locations, ports of entry will be able to more effectively focus resources on high-risk importers and shipments that may pose a danger to U.S. border security, harm the health and safety of consumers or violate U.S. trade laws and intellectual property rights critical to our nation's economic competitiveness.

Through the implementation of CEEs, CBP seeks to realize the vision of a leaner, faster, more integrated agency that seamlessly integrates security and trade facilitation. The feedback of the trade community was critical in leading CBP to this point.

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It is the use of a trade facilitation perspective to bolster border security that is unique to CBP's achievements over the past year. By making compliance easier for the trade, economic competitiveness rises and CBP gains high-value information, gathered early in the process of global cargo shipment, to identify and address risk before it reaches the border itself.

The strategy is known colloquially as “making the haystack smaller.” As low-risk cargo or travelers are removed from the consideration set, suspicious items become easier and less expensive to identify—before calamity strikes. The centerpiece of that strategy is information—using intelligence to segment and concentrate enforcement resources on risk.

For CBP and the U.S., this strategy paid off in October 2010 when al-Qaida tried to repeat the 9/11 scenario in a different way as it tried to smuggle bombs from Yemen into the U.S. via two separate cargo planes, one UPS and one Federal Express. On that occasion, CBP learned about the potential attack in advance from Saudi Arabian authorities.

The fact that the Yemen attack was thwarted based on intelligence from a foreign nation reinforced CBP's belief that partnerships and information sharing are key to border security. Bersin told the International Association of Chiefs of Police, “Our greatest weapon is simply our willingness to work together, to share information, to assess risk and to respond.... security must be borderless.”

Several months later, DHS Secretary Janet Napolitano announced a partnership with the World Customs Organization to secure the global supply chain as a world community, stating, “Our focus must be on building the capacity of governments—including our own—to strengthen the security of the system as a whole.”

The incident led to a resurgence of the impulse to institutionalize “100 percent inspection.” Yet CBP stayed on course, prompting Commissioner Bersin to note late in 2011 that “we have launched a new era of trusted traveler and trusted shipper programs” in



which “expediting those we know a lot about allows us to dedicate our law enforcement personnel to concentrate on those...we have reason to suspect.” The latter, he said, is only 1-2 percent of all cargo and travelers.

The commissioner's laser-like focus on enabling legitimate trade goes beyond merely “getting out of the way” and toward actively lowering importers' costs to facilitate American prosperity. Speaking in April 2011 before the National Customs Brokers and Forwarders Association of America, the commissioner stated flatly, “We need to drive transaction costs down 10 to 15 percent to become more competitive.” Again he reiterated that security and economic prosperity go hand in hand.

Along those lines, in November 2011 the agency



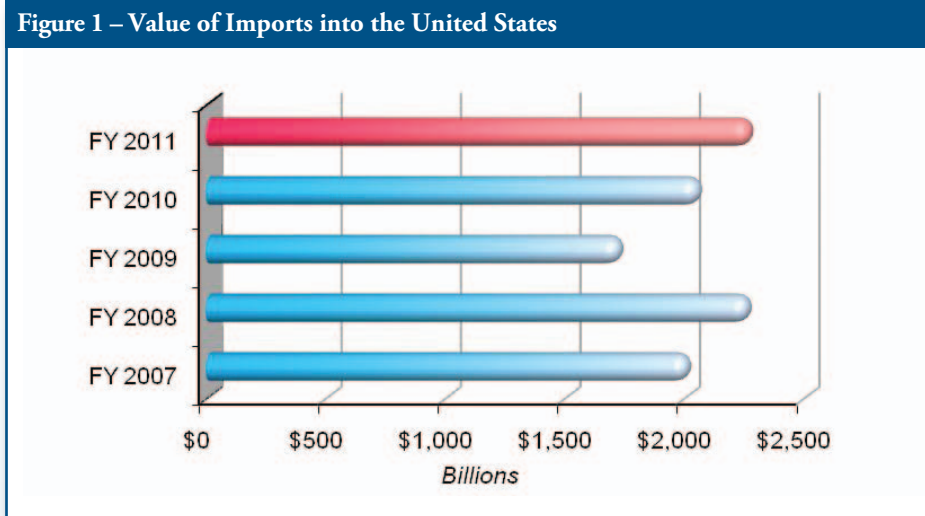
announced the Simplified Entry pilot, which enables trusted importers (currently only in the air environment) to fill out a smaller data set—12 required, three optional elements—earlier in the process so that CBP can locate and target risk earlier. It’s a security measure that also enhances efficiency for the trade by consolidating and eliminating duplicative steps in the submission of information needed to bring cargo into the country.

As CBP moves to encourage importers and travelers alike to enroll in trusted partner programs, its more holistic approach is becoming apparent. Discussing the agency’s encouragement of all top 100 importers to enroll in C-TPAT, the industry publication *American Shipper* noted in April 2011,

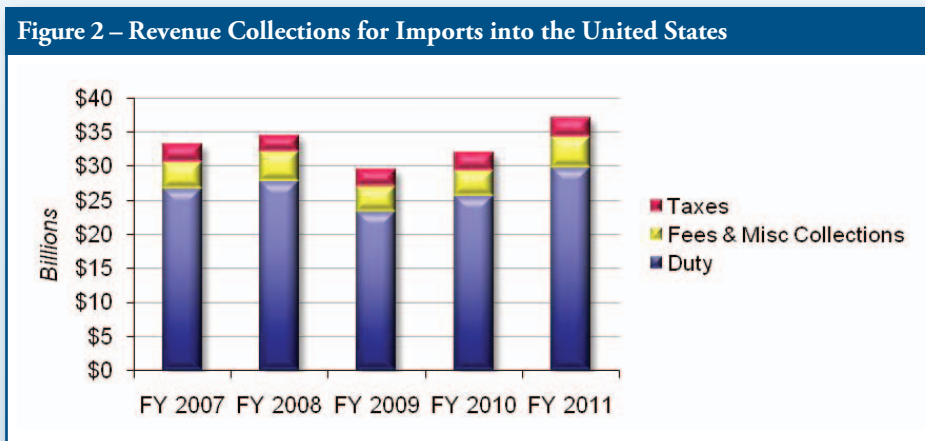
“The approach now articulated by CBP signals a shift to expand C-TPAT beyond security to also be a quality-assurance program for trade compliance,” similar to the European model that gives “trade and security benefits to highly compliant and security-conscious traders.”

Perhaps more than in any year since the agency was founded, CBP’s trade mission moved ahead rapidly in 2011. The seeming resurgence of the function has led to happy exclamations to the effect that “Trade is back!” Actually, trade never disappeared—it has become more fully integrated into the agency’s priority security mission than ever before, to the point where the two are indistinguishable.

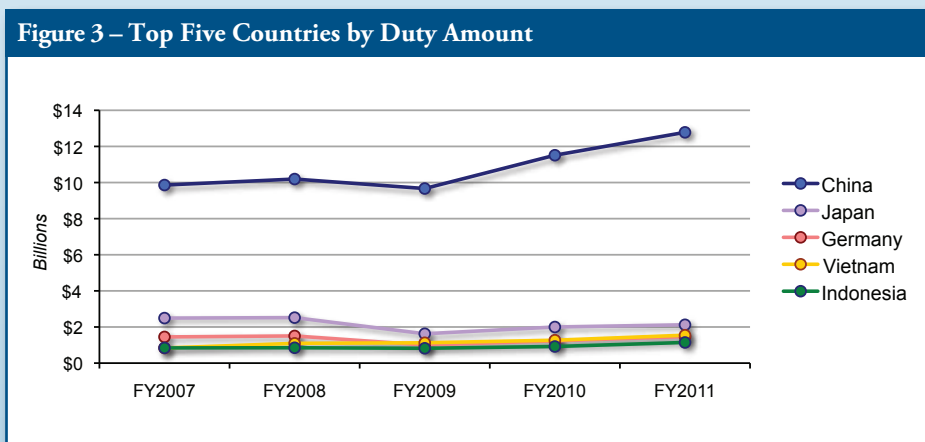
IMPORT VALUE AND COLLECTIONS



CBP processed imports valued at \$2.3 trillion during fiscal year 2011, a 10.5 percent increase over import values processed during the previous year, reflecting a recovering economy



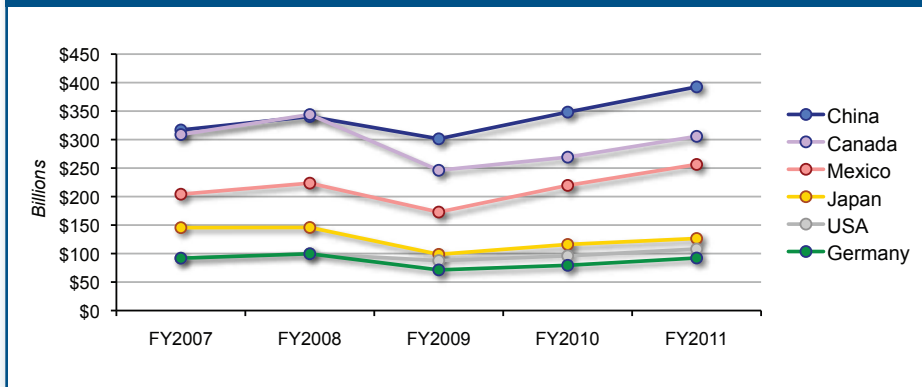
Increased value of importations contributed to a 16 percent increase in duties, taxes and fees collected by CBP



China remained the top country of origin in the amount of duties collected by CBP, exceeding the total of Japan, Germany, Vietnam and Indonesia combined

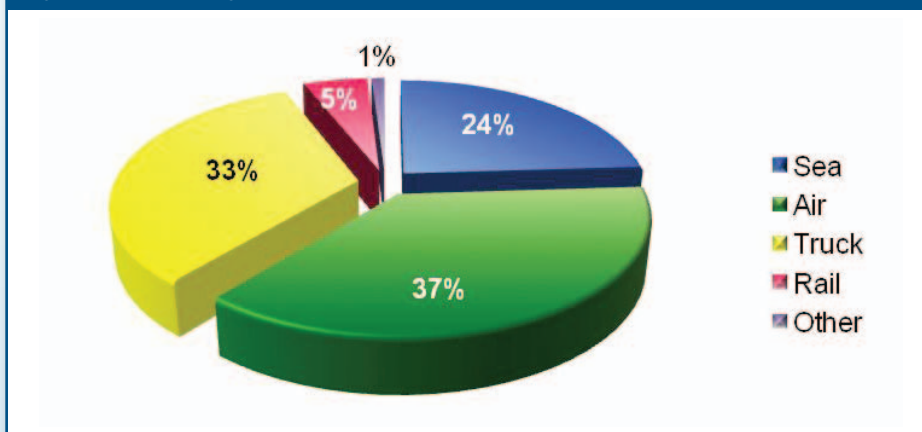
IMPORT SUPPLY CHAIN

Figure 4 – Top Six Countries by Import Value



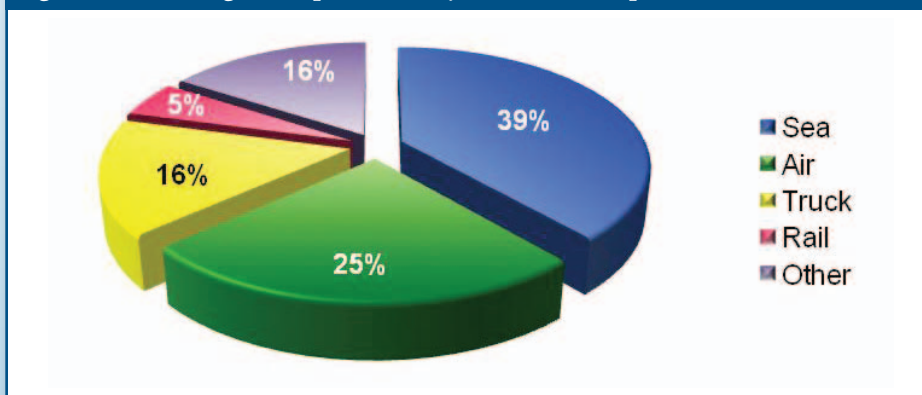
China remained the top country of origin for imports into the United States during fiscal year 2011, exceeding other countries by a substantial margin

Figure 5 – Percentage of Entries by Mode of Transportation



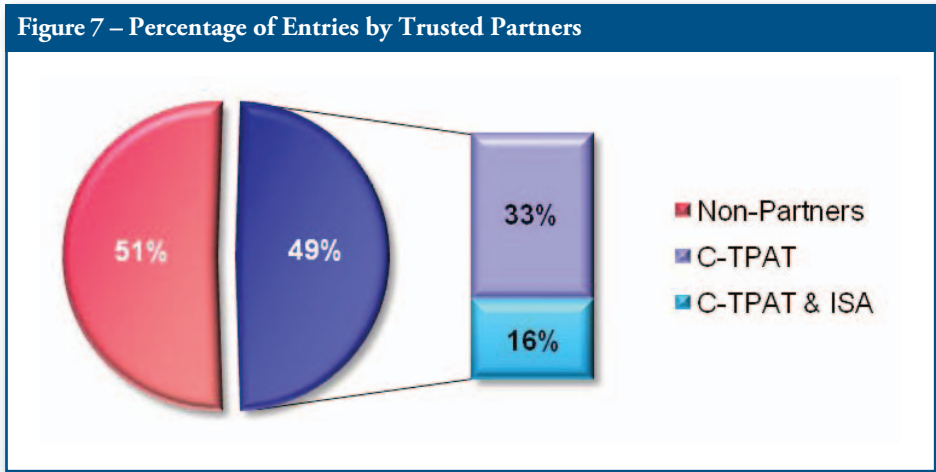
Importations via air and truck represented 70 percent of all entries filed

Figure 6 – Percentage of Import Value by Mode of Transportation

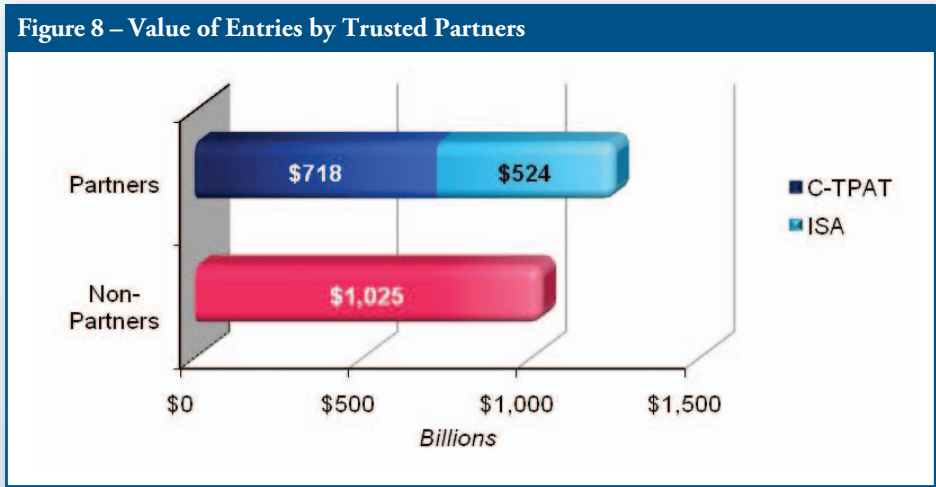


Despite accounting for less than one-quarter of entries filed, sea vessel shipments accounted for 39 percent of import values processed by CBP

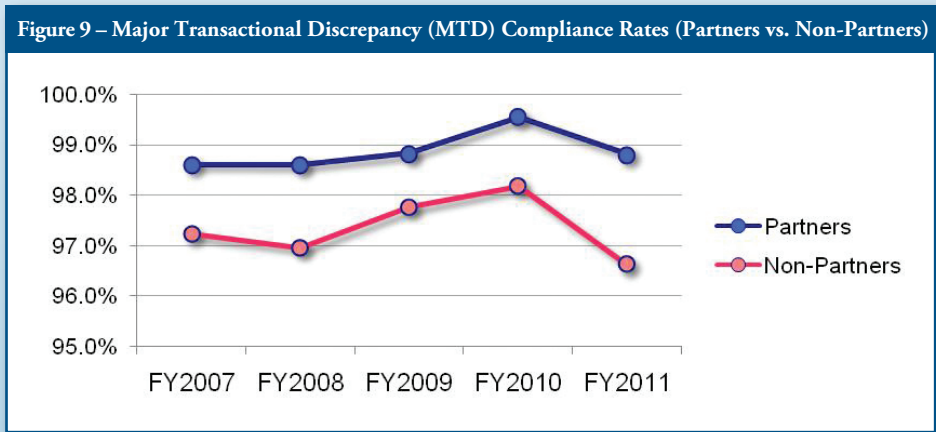
CBP TRUSTED PARTNERS



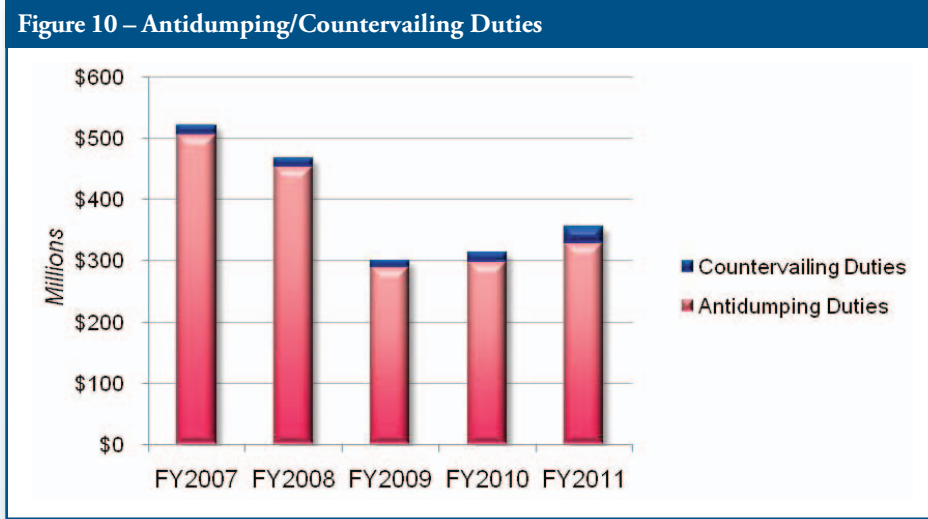
The percentage of entry volume by trusted partners increased considerably from 35 percent in fiscal year 2010 to 49 percent in fiscal year 2011



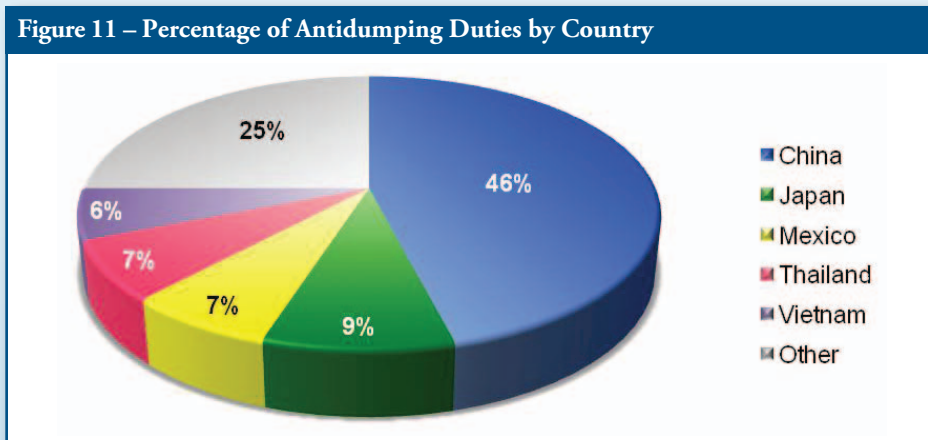
With a combined value of \$1.2 trillion, CBP trusted partnership programs accounted for 55 percent of total import value for fiscal year 2011



Comparing partner vs. non-partner compliance rates demonstrates the continued effectiveness of increasing trade compliance through partnerships



The amount of antidumping and countervailing duties increased significantly by 10 percent and 69 percent, respectively, during fiscal year 2011



The top five countries of origin accounted for 75 percent of all antidumping duties, with China accounting for nearly half of all antidumping duties on its own

TRADE VISION

CBP TRADE STRATEGY

A swift flow of legitimate imports entering the U.S. marketplace, free from harm to the U.S. economy and consumers, where:

- U.S. trade laws are enforced, with harmful and non-compliant cargo intercepted and deterred
- Legitimate imports are identified and rapidly admitted to consumers and industry without disruption
- Compliant and secure trade is ensured and supported by mutually beneficial partnerships
- Modernized processes and technology enable a streamlined import process
- Emerging risks are mitigated through the development of a national trade policy

Goal 1: Facilitate Legitimate Trade and Ensure Compliance

Goal 2: Enforce Trade Laws and Collect Accurate Revenue

Goal 3: Advance National and Economic Security

Goal 4: Intensify Modernization of CBP's Trade Processes



Description of Measure	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
							<i>Projected</i>
VALUE							
Total Import Value (in billions)	\$1,944	\$2,009	\$2,262	\$1,725	\$2,054	\$2,269	\$2,450
Percentage of Dutiable Value	30%	30%	31%	30%	30%	31%	30%
Percentage of Conditionally Free Value	23%	22%	23%	21%	22%	21%	21%
Percentage of Duty Free Value	47%	48%	46%	49%	48%	48%	49%
REVENUE							
Total Revenue Collected (in billions)	\$30.4	\$33.2	\$34.5	\$29.5	\$32.0	\$37.2	\$39.5
Total Duty Collections (in billions)	\$25.0	\$26.7	\$27.8	\$23.4	\$25.6	\$29.8	\$31.8
Net Estimated Undercollections (in millions)	\$450	\$412	\$396	\$285	\$238	\$342	\$350
Projected Revenue Gap as Percentage of All Duties and Fees	1.6%	1.3%	1.1%	1.0%	0.7%	0.9%	1.0%
Overall Duty Rate on Imports	1.3%	1.3%	1.2%	1.3%	1.2%	1.3%	1.3%
Total Anti-Dumping Duty Deposits (in millions)	\$835	\$506	\$454	\$289	\$298	\$329	\$346
Total Countervailing Duty Deposits (in millions)	\$596	\$15	\$14	\$11	\$16	\$27	\$30
ENTRY SUMMARIES							
Total Entry Summaries (in millions)	31.3	31.5	30.8	25.8	28.4	29.5	30.8
Paperless Entry Summaries %	85.8%	86.7%	88.2%	90.2%	91.1%	91.9%	92.7%
Paperless Cargo %	40.2%	46.8%	53.2%	54.6%	57.1%	57.8%	58.0%
CONSIGNEES							
Total Number of Consignees	825,095	809,621	777,328	711,335	701,814	728,651	735,000
COMPLIANCE RATE							
Major Transactional Discrepancies (MTD) Trade Compliance Measure Rate	97.5%	97.8%	97.6%	98.5%	98.9%	96.7%	98.9%
TRADE PARTNERSHIPS C-TPAT and/or ISA							
C-TPAT & ISA Entries (in millions)	2.4	2.5	2.7	2.1	2.8	3.1	3.5
C-TPAT & ISA Entries Percentage of All Entries	7.5%	7.8%	8.7%	8.1%	9.7%	10.4%	11.4%
C-TPAT & ISA Import Value (in billions)	\$258	\$270	\$412	\$288	\$427	\$528	\$596
C-TPAT & ISA Imports Percentage of All Imports	13%	13%	18%	17%	21%	23%	24%
C-TPAT Entries (in millions)	7.3	7.3	9.0	6.0	7.1	7.2	8.5
C-TPAT Entries Percentage of All Entries	23%	23%	29%	23%	25%	24%	28%
C-TPAT Import Value (in billions)	\$696	\$737	\$793	\$600	\$636	\$710	\$766
C-TPAT Value Percentage of All Value	36%	37%	35%	35%	31%	31%	31%
COUNTRIES							
Total Value from Top 5 Countries (in billions)	\$993	\$1,067	\$1,153	\$907	\$1,049	\$1,189	\$1,280
Percentage of Total Import Value for Top 5 Countries	51%	53%	51%	53%	51%	52%	52%
Total Duty for Top 5 Duty Paying Countries (in billions)	\$13	\$15	\$15	\$14	\$17	\$19	\$20
Percentage of Total Duties for Top 5 Countries	51%	55%	55%	64%	67%	65%	64%



CBP



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RESOURCES

NEED ANSWERS?

CBP has more than 600 answers to your most frequently asked questions, as well as a few that aren't so common. Please use this page to research the information you need. If you do not find it, or have additional questions, contact CBP at:

<https://help.cbp.gov> or call (877) 227-5511

HELP STOP ILLEGAL ACTIVITY

CBP has established an on-line procedure by which concerned individuals can report illegal import and export activity. If you have knowledge of a violation of United States trade law, please visit the following site to help prevent international trade violations:

<https://apps.cbp.gov/allegations/>

You may also report trade violations by calling **1-800-BE-ALERT**



TRADE INFORMATION

CBP provides information and resources to the trade community about basic importing and exporting, trade programs, priority trade issues, cargo security and more at:

www.cbp.gov/trade

ADDITIONAL CONTACTS

Still not satisfied? Additional CBP contact information can be found at:

<http://www.cbp.gov/xp/cgov/toolbox/contacts/>

OTHER HELPFUL SITES:

DHS: www.dhs.gov

U.S. Customs and Border Protection:
www.cbp.gov

U.S. Ports of Entry:
www.cbp.gov/xp/cgov/toolbox/contacts/ports/

U.S. Department of Commerce:
<http://www.commerce.gov/>

U.S. Census Bureau:
<http://www.census.gov/>



**U.S. Customs and
Border Protection**