IMPORT TRADE TRENDS

FISCAL YEAR 2011 MID-YEAR REPORT

JUNE 2011

U.S. CUSTOMS AND BORDER PROTECTION

MESSAGE FROM THE ASSISTANT COMMISSIONER

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The first six months of a fiscal year are often very telling in terms of import trends and fiscal year 2011 was no exception. Within the first six months of 2011, U.S. Customs and Border Protection processed approximately $1.1 trillion of imports, exceeding the previous year by nearly 16 percent. Similarly, by mid-year, CBP collected $17.7 billion in revenue for the U.S. government. That's almost $3 billion more than the revenue collected in fiscal year 2010 for the same time period.

Considering the faltering economy and tough job market, these were encouraging signs for the trade community. The volume and value of goods imported into the U.S. increased and traditional trade patterns resumed. The preliminary indicators, highlighted in this report, support continued economic trade recovery, a story that will be told more fully when the data for the entire fiscal year becomes available.

While many of you may already know me, I want to take a moment to introduce myself. In March, I was appointed the assistant commissioner of CBP's Office of International Trade. I have been with CBP and its legacy agency, the U.S. Customs Service, for 29 years. During that time, I served as the assistant commissioner of CBP's Office of International Affairs and as the deputy assistant commissioner of the agency's intelligence office. I also held a number of operational positions that have given me a broader understanding of the day-to-day work performed by CBP and an appreciation for the statistical data gathered in this report.

A new feature that we are introducing in this issue is the *Import Trade Trends Spotlight.* This section of the report will focus on CBP's priority trade programs. In this mid-year report, *Spotlight* will highlight CBP's collaborative import safety efforts with other government agencies.

This edition of *Import Trade Trends* will also be our first paperless issue. As part of our commitment to the environment and to fiscal responsibility, we will only be publishing the mid-year 2011 report online. We hope that you will find its content insightful as you study the early indicators of an optimistic trade year characterized by steady, modest growth.

STATISTICAL HIGHLIGHTS, MID-FISCAL YEAR 2011

- By the end of fiscal year 2010, U.S. imports rose 13 percent in volume over fiscal year 2009, exceeding the annual increase experienced in recent fiscal years and continuing the economic trade recovery.

- At mid-fiscal year 2011, import volume exceeded the volume over the same time frame in the prior fiscal year by almost 16 percent. Continued stability and modest growth are projected for fiscal year 2011.

- U.S. Customs and Border Protection processed about $1.1 trillion of imports in the first two quarters of fiscal year 2011, an almost 16 percent increase over the same period in fiscal year 2010.

- Dutiable imported goods increased over the prior mid-year fiscal review by 34 percent. At this time in fiscal year 2010, 29 percent of imported goods were dutiable. The remaining goods were duty free or free under tariff preference programs.

- At the midpoint of fiscal year 2011, CBP had collected $17.7 billion in revenue for the U.S. Government, almost $3 billion more than the revenue collected in the same timeframe in fiscal year 2010.

- Total mid-fiscal year 2011 duty collections exceed the amount collected over the same time frame in the prior fiscal year by about 20 percent.

- Mid-year entry summary increased 7 percent over fiscal year 2010, and mid-year entry line volume increased by about 9 percent (or 5 million lines) over 2010.

- The Top Ten Tariff Chapters accounted for 70 percent of the mid-year fiscal year 2011 import value, a 2 percent decrease from the prior mid-year value.

- China continues as the leading source of imports, followed by Canada, Mexico and Japan.

IMPORT TRADE TRENDS, MID-YEAR 2011

CBP Commissioner Alan D. Bersin addresses attendees at the 2011 CBP Trade Symposium.

"Let the reinvention begin," urged U.S. Customs and Border Protection Commissioner Alan Bersin before an audience of more than 700 attendees at the CBP Trade Symposium 2011. In his opening remarks, Bersin proposed a "paradigm change" to expedite the legitimate flow of people and commerce to also heighten our nation's security.

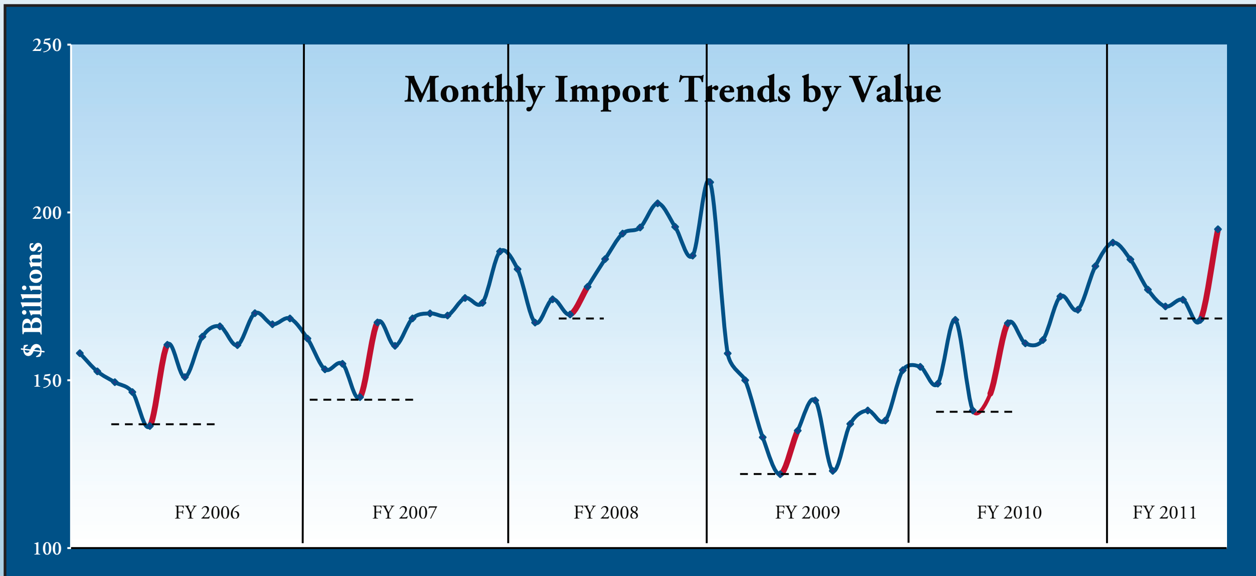
Further commenting on the private sector as the engine of prosperity and progress, Bersin encouraged public and private sector dialogue to create policies and programs that eliminate "dumb" rules and focus on smart practices. He emphasized that security is not mutually exclusive of facilitated trade and travel, but that they are the same phenomenon. As an example, he cited CBP's Trusted Traveler programs that advance the flow of people while improving security.

Bersin noted that the continued growth in our increasingly global economy depends on the public and private sectors working together to find new, innovative, and efficient ways to secure flows to create a smarter and safer border for the 21st century.

He committed CBP to securing the global supply chain, meeting with stakeholders and private partners, and using a harmonized approach to support trade, private sector outreach and the modernization of equipment and processes. As an example, while acknowledging that the intersection of technology and partnerships lies within information and intelligence, Bersin underscored the need for information sharing and better communication.

Dialogue and collaboration among federal agencies is also crucial to promote security and expedite trade, said Bersin. CBP enforces the laws of more than 45 agencies at the border. However, CBP does not act alone and needs close coordination with its federal and private-sector partners.

TRADE SYMPOSIUM 2011



This five-year chart of import value demonstrates the seasonality of U.S. imports. Each year, imports predictably rise March through October. While the precipitous decline in imports from final quarter of fiscal year 2008 into 2009 was occasioned by the economic downturn, the March import spike in 2010 and 2011 may indicate a return to normal trade patterns.

Import Trade Trends *Measure*	Ten Year Overview *FY 2000–FY 2010 as of Dec 31*		*% growth*	Mid-Fiscal Year *FY 2010,*	*FY 2011, as of March 31*	Mid-Year *FY 2010–2011 % growth*
Import Value ($B)	$1,200	$1,986	66%	$969	$1,075	11%
Revenue Collected ($B)	$24.3	$32.3	33%	$15.0	$17.7	18%
Consignees	609,000	726,200	19%	504,500	522,405	4%
Entry Summary (M)	23.5	28.3	20%	13.5	14.4	7%
Entry Lines (M)	59.3	110.5	86%	52.2	57.0	9%

- **Value and duty collections** have grown overall, but collections have not grown at the same pace as import value. This may be explained by open policy on trade, trade agreements and general decline in duty rates.
- **Consignees and importing entities** have increased; however, the growth rate has slowed over the last four years.
- **Import volume has grown**, but line level declarations have trended up at a higher rate than entry transactions.
- **Entry volume has increased**, but line level declarations have nearly doubled, due in part to increasing use and complexity of trade agreements, special provisions, and factors requiring separate line item declarations.

In 2007, CBP established import safety as a priority trade issue. CBP works collaboratively with other import safety agencies to maintain the highest level of product security and safety for our nation. Often CBP examines and holds merchandise on behalf of other government agencies that have the regulatory authority to determine the admissibility of these products.

At the Interagency Import Safety Conference in October 2010, CBP and U.S. Immigration and Customs Enforcement collaborated with leaders from other federal agencies to protect American consumers and the environment from unsafe products. The agency heads signed an agreement to support:

- The creation of an interagency forum of senior representatives dedicated to import safety cooperation;
- Continued commitment to information sharing across federal agencies involved in import safety concerns;
- Enhanced efforts to help the private sector comply with import safety requirements;
- Development of common systems to exchange information;
- Strong, consistent enforcement measures to deter imports of unsafe products; and,
- The use of risk-management strategies to streamline lawful trade.

Seated from left, Consumer Product Safety Commissioner Chairman Inez Tenenbaum, CBP Commissioner Alan Bersin, and Food and Drug Administration Commissioner Margaret Hamburg sign an agreement to further improve import safety and increase overall collaboration.

Agencies with Statutory Responsibilities for Public Safety

- Alcohol, Tobacco, Firearms & Explosives (ATF) www.atf.gov/about/
- Animal Plant Health Inspection Service (APHIS) www.aphis.usda.gov/
- Consumer Product Safety Commission (CPSC) www.cpsc.gov/
- Customs and Border Protection (CBP) www.cbp.gov/
- Environmental Protection Agency (EPA) www.epa.gov/
- Food and Drug Administration (FDA) www.fda.gov/
- Food Safety Inspection Service (FSIS) www.fsis.usda.gov/
- Immigrations and Customs Enforcement (ICE) www.ice.gov/
- National Highway Traffic Safety Administration (NHTSA) www.nhtsa.gov/
- National Marine Fisheries Services (NMFS) www.nmfs.noaa.gov/
- Pipeline and Hazardous Materials Safety Administration (PHMSA) www.phmsa.dot.gov/

Five agency leaders at the Import Safety Conference signed an interagency memorandum of understanding to improve targeting and enforcement resources at the Commercial Targeting and Analysis Center, known as CTAC. CBP established the CTAC as a fusion center for agencies to share targeting resources, analysis, and expertise to protect U.S. citizens from unsafe imports. Partner agencies co-locate staff at the ports of entry alongside CBP officers to leverage their varied skill sets to identify unsafe imports.

The CTAC allows for greater data sharing among the partner agencies, enabling import safety risk assessments and targeting using CBP's automated targeted tools. In September, the Environmental Protection Agency and the Department of Transportation's Pipeline and Hazardous Materials Safety Administration joined CTAC. The original CTAC partnership included the U.S. Consumer Product Safety Commission, U.S. Immigration and Customs Enforcement, the Department of Agriculture's Food Safety Inspection Service and Animal and Plant Health Inspection Service, and CBP.

Interagency import safety collaboration supports CBP's mission to identify trusted and lawful shipments as early and as far from our physical borders as possible. This allows CBP to focus resources on higher risk shipments and prevent entry of dangerous and illicit items.

Recent Import Safety Collaborations

Kinder Eggs. CBP, the Consumer Product Safety Commission and the FDA work collaboratively to ensure the safety of imported goods by examining, sampling and testing products that may present import safety hazards. The FDA issued an import alert for Kinder Eggs, a confectionery product with a toy embedded in it. The eggs violate CPSC small parts regulations with respect to choking hazards to protect children under age three. Working together, these partner agencies streamline and enhance federal efforts to stop the illegal importation of Kinder Eggs. In FY2010, CBP seized nearly 25,000 Kinder Eggs.

Children's Toys. In June 2011, CBP working collaboratively with CPSC, seized a shipment of imported children's toy jewelry for hazardous levels of lead. The manufacturer's suggested retail price of the shipment was approximately $340,000. The shipment of toy jewelry coming from China was considered high risk and had been targeted by the CTAC.

The Consumer Product Safety Improvement Act of 2008 requires importers to test and certify that imports of children's products are in compliance with CPSC requirements. It is unlawful to import into the U.S. any children's product that contains more than 90 parts per million of lead paint or more than 300 parts per million of total lead content.

According to CPSC, the adverse health effects of lead poisoning in children include neurological damage, delayed mental and physical development, attention and learning deficiencies, and hearing problems. Because lead continues to accumulate in the body, even exposure to small amounts can increase associated health risks.

Import Specialist inspects a toy to see if it meets the requirements for lawful entry into the U.S.

Additional Import Safety Collaboration

Illegal import of High Intensity Discharge lights, conversion kits, light sources, and ballasts. Since receiving a commercial allegation in December 2010, CBP has identified hundreds of shipments for examination at ports of entry across the U.S. including Los Angeles, Anchorage, Cleveland, San Juan, Miami, Detroit, Champlain, Orlando and Seattle.

On September 12, 2011, CBP officers at the Port of Newark, working closely with the U.S. Department of Transportation, seized a shipment of 10,740 imported HID conversion kits. The domestic value of the shipment was approximately $570,000.

CBP officers seized the shipment after determining that the equipment failed to meet DOT requirements that headlamp replaceable light sources be marked with the light source type, the light source manufacturer's name or trademark, and the DOT symbol indicating certification of compliance with governing regulations, among other DOT compliance issues. The CTAC had targeted the shipment from China because of its potential safety threat to the American public.

High intensity discharge light source seized by CBP officers at the Port of Newark.

Automotive headlamps, and replacement light sources and ballasts for those lamps, are regulated by DOT's National Highway Traffic Safety Administration. HID conversion kits are custom light sources and ballasts manufactured to be installed into headlamps that were not designed to use them, which poses potential glare hazards to other roadway users. The street value for HID conversion kits can run anywhere from $150 to $500 per kit.

Since October 2009, CBP has seized more than 400,000 HID conversion kits and components for violating DOT regulations, equaling a total combined domestic value of approximately $5 million. A significant portion of those shipments arrived in the U.S. via the air cargo or express mail environment, shipped from numerous Southeast Asian countries. CBP and DOT collaborate by examining, sampling and testing imported products that may be hazardous.

TRADE VISION

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

CBP TRADE STRATEGY

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

Disclaimer: The information contained in this document does not constitute the official trade statistics of the United States. The statistics and the projections based upon those statistics are not intended to be used for economic analysis, and are provided for the purpose of establishing CBP priorities and workload.

Description of Measure	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	*FY 2011	FY 2011
VALUE						*YTD*	*Projected*
Total Import Value (in billions)	$1,944	$2,009	$2,262	$1,725	$2,054	$1,075	$2,250
Percentage of Dutiable Value	30%	30%	31%	30%	30%	34%	34%
Percentage of Conditionally Free Value	23%	22%	23%	21%	22%	24%	24%
Percentage of Duty Free Value	47%	48%	46%	49%	48%	42%	42%
REVENUE							
Total Revenue Collected (in billions)	$30.4	$33.2	$34.5	$29.5	$32.0	$17.7	$33.5
Total Duty Collections (in billions)	$25.0	$26.7	$27.8	$23.4	$25.6	$14.3	$26.7
Net Estimated Undercollections (in millions)	$450	$412	$396	$285	$238	$65	$126
Projected Revenue Gap as Percentage of All Duties and Fees	1.6%	1.3%	1.1%	1.0%	0.5%	0.7%	1.0%
Overall Duty Rate on Imports	1.3%	1.3%	1.2%	1.3%	1.2%	1.3%	1.2%
Total Anti-Dumping Duty Deposits (in millions)	$835	$506	$454	$289	$298	$173	$323
Total Countervailing Duty Deposits (in millions)	$596	$15	$14	$11	$16	$12	$17
ENTRY SUMMARIES & LINES							
Total Entry Summaries (in millions)	31.3	31.5	30.8	25.8	28.4	14.4	30.8
Total Entry Lines (in millions)	97.1	102.4	104.7	95.5	110.6	57.0	114.4
Paperless Entry Summaries %	85.8%	86.7%	88.2%	90.2%	91.1%	91.8%	92.0%
Paperless Cargo Entries	11.2	13.4	15.3	13.3	15.1	7.8	15.6
Paperless Cargo %	40.2%	46.8%	53.2%	54.6%	57.1%	57.6%	56.0%
CONSIGNEES							
Total Number of Consignees	825,095	809,621	777,328	711,335	701,814	522,405	705,000
COMPLIANCE RATE							
Major Transactional Discrepancies (MTD) Trade Compliance Measure Rate	97.5%	97.8%	97.6%	98.2%	99.0%	99.3%	99.4%
Total Entry Summaries (in millions)	31.3	31.5	30.8	25.8	28.4	14.4	30.8
Total Entry Lines (in Millions)	97.1	102.4	104.7	95.5	110.6	57.0	114.4
Number of Entry Summary CM Reviews	74,934	67,477	81,041	58,650	49,725	22,863	55,000
TRADE PARTNERSHIPS							
C-TPAT & ISA Entries (in millions)	2.4	2.5	2.7	2.1	2.8	1.4	2.8
C-TPAT & ISA Entries Percentage of All Entries	7.5%	7.8%	8.7%	8.1%	9.7%	9.7%	9.1%
C-TPAT & ISA Import Value (in billions)	$258	$270	$412	$288	$427	$235	$436
C-TPAT & ISA Imports Percentage of All Imports	13%	13%	18%	17%	21%	22%	18%
C-TPAT Entries (in millions)	7.3	7.3	9.0	6.0	7.1	3.6	8.5
C-TPAT Entries Percentage of All Entries	23%	23%	29%	23%	25%	25%	28%
C-TPAT Import Value (in billions)	$696	$737	$793	$600	$636	$341	$695
CTPAT Value Percentage of All Value	36%	37%	35%	35%	31%	32%	29%
COUNTRIES							
Total Value from Top 5 Countries (in billions)	$993	$1,067	$1,153	$907	$1,049	$573	$1,080
Percentage of Total Import Value for Top 5 Countries	51%	53%	51%	53%	51%	53%	48%
Total Duty for Top 5 Duty Paying Countries (in billions)	$13	$15	$15	$14	$17	$9	$17
Percentage of Total Duties for Top 5 Countries	51%	55%	55%	64%	67%	65%	63%

*FY 2011 preliminary data, subject to revision

U.S. Customs and Border Protection

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