

Advisory Committee On Supply Chain Competitiveness

Trade & Competitiveness Subcommittee
Interim Report
June 4, 2013

Subcommittee Members

Chair	Anthony Barone	Pfizer
Gov't Liason	Eugene Alford	DOC
Members	Dennis Mottola	Bechtel
	Dennis Bowles	Stupp
	Daniel Rowley	General Electric
	James Cooper	National Petro Assn
	Shawn Wattles	Boeing
	Norman Schenk	UPS
	Laurie Denham	AST&L
Observer	Tony Padilla	DOT

Factors Considered In Vetting

▶ Competitiveness

- Predictability
- Cost
- Choice of services
- Ease of movement
- Safety/Security
- Speed/efficiency
- Technology enabled

▶ Scope

- Cross Industry
- National

Actionable & Concrete

Broad Impact

Streamline and Modernize Border Processes

- ▶ **Importing for manufacturing requires compliance with outdated processes that add cost and diminish the reliability of supply chains**
- ▶ **We recommend a private–public cross governmental charter to**
 - Establish a single service center to tend to all export and import government agency processes organized according to commodity group
 - Enable a single release for all government agencies for traders in multi–agency trusted trader programs
 - Implement a risk based approach to export–import enforcement and security procedures to enable significantly faster clearance or permitting to companies with long clean compliance histories
 - Enable pre–clearance of imports based on simplified advanced security data fully separating the physical release of goods from other process
 - Commit to a common set of demonstrably necessary import and export data elements for customs, security and other government agencies to eliminate redundancy.
 - Commit to jointly develop future regulations to eliminate redundancy and promote agency convergence.

Remove Trade Barriers to Exports

- ▶ **Competitive American export industries stand to make significant gains in market access from increased trade liberalization and enforcement of existing disciplines**
- ▶ **We recommend Executive Branch action to**
 - Complete TPP and TTIP agreements with 21st Century disciplines on forced localization, competitive neutrality of State Owned Enterprises', procurement market access, and trade facilitation;
 - Complete multilateral and regional agreements to liberalize trade in such products as environmental goods and services, information technology equipment, and healthcare equipment

Simplify adherence to FTA's

- ▶ Increasingly multi-lateral negotiations such as GATT are replaced by bilateral Free Trade Agreements which are different and require each one to be analyzed.
- ▶ We recommend that USTR follow a template of positions related to supply chain covering such topics as:
 - Origin determination and evidentiary requirements
 - Alignment among the contracting parties on Other Government Agency regulations
 - Alignment with OECD on transfer pricing
 - Harmonization of rules respecting the duty treatment of royalty and license fees
 - Security protocols
 - *Di Minimis* value for customs formalities
- ▶ And that agreements meet the test of being easy to understand by the average business person and not unduly susceptible to inadvertent compliance failure

Pfizer UPS

Eliminate certain customs duties

- ▶ Many products use imported parts, components or chemicals. Reducing the cost of these will reduce costs to American consumers and make US manufactured goods more competitive globally.
- ▶ We recommend –
 - Permanently eliminating the duty on manufacturing inputs where no (or little) domestic competition exists
 - Alternatively, simplification of the duty drawback process such that goods may be entered into the United States and remain duty deferred until goods go into manufacture and are either transformed (tariff shift) or are exported

Pfizer

Streamline Foreign Trade Zone Process

- ▶ **Establishing and operating zones and subzones is time consuming and costly and therefore underused, especially by SME's**
- ▶ We recommend Executive Branch action to amend the regulations to
 - Increase the awareness of the program and recent facilitative changes
 - Continue to make the process more cost effective and easy to use by for example eliminating physical zone parameters and segregation rules
 - In order to facilitate further improvement engage with CBP to simplify rules pertaining to record keeping and process
 - To enable standard manufacturing accounting systems to be used and elimination special record keeping
 - Minimize OGA regulation of goods inside of zones that do not impact the environment, especially where goods are manufactured for export

Modernize US Export Credit Support

- ▶ **US Eximbank content policies put exporters at a disadvantage in competition with customers of other major Export Credit Agencies (ECA's)**
- ▶ **We recommend Executive Branch action to**
 - Liberalize US Eximbank policies for financing of shipping costs in order to increase competitiveness of US exporters, particularly in the renewable energy sector
 - Bring US Eximbank content policies in line with those of ECA's that support major export competitors of American firms
 - Allow more flexibility in providing financing of shipping costs now subject to MARAD statutory waivers
 - Revisit Eximbank's economic impact procedures to streamline the process and make it more transparent to Bank users

Correct policies that impede the transport of outsized cargoes

- ▶ American export competitiveness is hampered by policies that make the interstate movement of unusual cargoes by rail and surface difficult and costly, especially from land locked states and localities
- ▶ We recommend
 - Creation of a national integrated system for the expeditious receiving, approving, issuing and recording of applications & permits for interstate movement of over weight and over dimensional cargo
 - Federal regulation incentivizing Increased access to ports from land-locked manufacturing centers particularly those producing outsized goods for export
 - Define mandatory transportation corridors to be permitted on the national highway system and enforce state concurrence
 - Insure port development projects include connectivity to the national highway system rail and inland waterway systems prior to funding
 - Improved federal recourse to ameliorate service issues arising at localities with limited railroad service
 - That the Surface Transportation Board require competitive switching

Bechtel Stupp

Simplify MARAD US Flag Waiver Requirements

- ▶ **Procedures to obtain MARAD waivers inhibit the manufacture and export of US made goods requiring break bulk transportation**
- ▶ **We recommend**
 - Simplification and additional clarity to waiver procedures
 - Educating the exporting community via MARAD outreach
 - Requiring export competitiveness considerations in freight differential calculations
 - Online waiver application processing
 - Creation of a MARAD Southwest exporters satellite office for large industrial exports – Houston