When thinking of Turkey, two things come to mind...the song “Istanbul not Constantinople” and the movie “Midnight Express.”

You too may recall the 1978 movie portrayal of the book of the same name adapted into screenplay by Oliver Stone about Billy Hayes. Hayes was a young American student sent to a Turkish prison for trying to smuggle hashish out of Turkey. According to Wikipedia, the movie deviates from the book’s account of the story, especially in its portrayal of Turks, to such a level that many have criticized the movie version, including Billy Hayes himself. Later, both Oliver Stone and Billy Hayes expressed their regret about how Turkish people were portrayed in the movie. I’m glad to hear that, since my memory of the movie doesn’t inspire me to visit the country or to promote it as one of the fastest growing world markets for printing equipment and consumables.

On the other hand, the swing-style song written by Jimmy Kennedy with music by Nat Simon that sounds very much like the tune of “Puttin’ on the Ritz” makes me smile and remember my childhood and my wonderment about what I thought was a truly exotic place to visit. The lyrics remind the listener of the change in the name of the city Constantinople to the Turkish name Istanbul and also mentions the fact (not known by many of us or long forgotten) that New York City was originally named New Amsterdam. Just to continue this nostalgic stroll down memory lane, Istanbul (not Constantinople) was originally recorded by a Canadian group called The Four Lads on August 12, 1953. This recording first reached the Billboard maga-

About Turkey

Located in both Europe and Asia, Turkey has borders to Greece, Bulgaria, Georgia, Armenia, Iran, Iraq and Syria, and coastlines to the Black Sea and the Mediterranean Sea. The climate varies from Mediterranean to continental. With an area of 779,452 square kilometers (300,848 square miles) Turkey is one of the largest countries in Europe. Its current population is approximately 74.1 million, approximately four million of whom live in the capital Ankara and 8.8 million live in Istanbul. The life expectancy is 67.5 years for men and 72.1 for women.

Turkey declared itself an independent republic in 1923 with the break-up of the Ottoman Empire. Its current constitution dates to 1982 and proclaims Turkey’s system of government as democratic, parliamentary and secular. It provides for a president who is the head of state and whose powers are not strictly defined, but tend to depend in practice on the force of personality of the incumbent, selected by the parliament for a seven year term. The prime minister heads the council of ministers and both are responsible to parliament. Parliament is the unicameral Grand National Assembly with 550 members who serve a five year term. Current office-holders are the 11th president, Abdullah Gül since August 28, 2007 and the Prime Minister Recep Tayyip Erdoğan since March 14, 2003.
Ralph Nappi  
NPES President

neither vendors nor printers have the luxury of sticking with the same old strategies, as digital technologies and consolidation continue to shape the industry.”

Start of Our Industry’s Recession

Industry economists tend to agree that the recession in the printing industry began sometime in late 2007 or early 2008. Within the economy at large, real GDP grew by less than 2% and unemployment rose to 6% during the first three quarters of 2008.

From the supplier side, sales began slowly eroding a couple of years ago. Data from NPES’ vendor members indicates that, after a strong 2006, aggregate revenues slipped by 17% in 2007. By the close of last year, 2008 revenues were expected to come in around $2.5 billion, 10% lower than in 2007. Five years from now, aggregate revenues may even drop below $2 billion—a far cry from the $4 billion NPES members reported at the beginning of the decade. But it is important to note that this data does not include sales of digital production equipment, which would certainly mitigate some of the gloom in these numbers.

Digital Overtaking Analog

When we break down total vendor revenues into the equipment and supplies categories, we see the definitive toll that digital processes are taking on analog products. U.S. shipments of graphic communications supplies (i.e., plates, as well as traditionally analog consumables like film and proofing materials) hit their peak in 1989, with vendors reporting sales of nearly $2 billion that year. These revenues have fallen steadily since then—by 2007, they accounted for $1.2 billion of total vendor revenues, nearly half of what they once were.

Research on graphic communications consumables conducted by NPES’ sister organization, PRIMIR (Print Industries Market Information and Research organization), supports the idea that digital processes continue to make inroads at the expense of analog. As just one example, the report found that of the 1.1 billion sq. ft. of lithographic printing plates consumed annually in the U.S. and Canada, 730 million sq. ft.—a good 2/3 of the overall plates consumed—were digital. Given the purpose of this particular report to benchmark consumables usage for the year 2006, we can expect that computer-to-plate (CTP) has made even more significant inroads in the prepress area since then.

Thanks to CTP, in fact, lithographic plates will offer marginal growth within the supplies category and will essentially balance out any losses from other supply areas over the next few years. By 2010, we can expect that digital products will account for more than 95% of all graphic communications supplies revenues.

Traditional Offset vs. Digital Presses

Following the trends we see in the graphic communications supplies category, digital presses are rapidly gaining ground within equipment sales, which covers imaging/prepress, press and bindery/finishing equipment. Though initially marketed as variable data printing engines, digital production presses have more recently been considered as an addition to, and in some cases a replacement for, traditional offset lithographic presses as cost per page has decreased, image quality has improved, and consumer demand has mandated quick turnaround and shorter run lengths.

According to our research, about 34,000 sites in the U.S. and Canada owned a sheetfed offset press or duplicator in 2006. The majority of these sites were commercial printers with fewer than 20 employees. Compare that to the nearly 28,000 sites that operated a color or monochrome digital production press, and we see there isn’t a lot of difference between installation of sheetfed presses and their digital counterparts. The majority of digital press sites, by the way, were in-plant printers…and printers with fewer than 20 employees.

Presses account for somewhat less than 2/3 of equipment revenues, and as recently as three or four years ago, revenues from digital presses made up only 10% to 15% of total lithographic press revenues. In 2008, they represented about 30% to 40% of all press revenues. Within the next couple of years, they may account for as much as 70% of all litho press shipments. Digital press revenues in 2010 may conceivably be double what they were in 2007. Yet...

Despite the growth of digital production presses in the market, U.S. shipments of graphic communications equipment are expected to decrease in the next few years, from their recent high of $2.1 billion to possibly less than $1.5 billion by 2010.

Innovation is Key

Clearly, graphic communications vendors have fewer printers and printing plants, to sell to. For printers, industry consolidation may mean fewer—but stronger—competitors. As we move further into 2009 then, innovation is key to success.

First, think digital. For vendors, digital technologies and supplies offer growth opportunities in an otherwise stagnant, even declining, market. For printers, digital production processes will help streamline operations and maximize efficiency, while digital offerings—in the vein of multi-media products such as CD-ROMs or multi-media services such as digital asset management—have the potential to increase business from existing customers.

Second, think finishing. As consumers grow savvier, printers will need to offer creative finishing options to standard print pieces, be they elaborate diecutting and folding added to point-of-purchase displays or interactive additions to print advertising. And indeed, postpress equipment, for which purchase was traditionally influenced by the economy, will enjoy some growth as demand increases for customized and ornately finished pieces. According to our research, revenues from this area of post-press equipment will remain significantly above GDP levels for the next several years.

Third, think sustainability. Organizations that find ways to offer products and services that address this fast growing and extremely important issue will thrive. The days of talking about environmental responsibility are past. Suppliers and printers must demonstrate an affordable commitment to this trend.

Fourth, think partnerships. For vendors who cannot justify the research and development expenditures required for entering into new markets, partnering with another supplier may offer significant benefits with relatively few downsides. And, partnering also means partnering with customers. Whether you are a printer or a supplier, ask your customers what they need help with and see if you can offer them the solutions they seek. Put more into every interaction with every customer. You may just find opportunities to win a larger share of your customers’ business.

Ultimately, think differently. Innovation in terms of the technology we sell and the business mindset with which we approach our operations will be the one sure way to survive the recession and ultimately benefit from the changing forces our industry faces.

Looking ahead, the NPES 2009 Industry Summit to be held March 23-25, in Washington, D.C., will provide us all with the most current economic and trends data from PRINT OUTLOOK 09 and the PRIMIR Spring Meeting, to help us “re-calibrate” our expectations for the months and years ahead. Complete program and registration information is in the mail to members now and available online at: www.npes.org.
zine charts on October 24, 1953, and it peaked at #10. It was the group's first gold record...so there I go dating myself yet again!

So there I am at the PRMIR meeting where I’m listening to the presentation on the World Wide Market for Print and the consultant has Turkey listed as one of the nine fastest growing markets in the world and in my head I’m hearing...“Istanbul not Constantinople...” it’s Istanbul not Constantinople...a very catchy little tune, but not the focus of this article. So, here’s what the report says about this country, and why we at NPES should take a closer look at it if we’re not already selling product into it.

**Demographic Trends**

The population of Turkey is estimated at 74.1 million, 50.4% of whom are male and 49.6% female. Population projections over the coming years show an expected increase in the populace of approximately 28 million in the next 45 years, bringing the number of Turkish inhabitants up to 101.2 million by 2050. This represents an increase of 38% over this time, which is a very sizeable increase compared with other European countries. The median age of the population today is 26.3 years and this is forecast to increase to 39.5 by 2050; 8% of the population is currently over the age of 60 and this is forecast to increase to 22.8% by 2050. Education is compulsory and free from ages 6 to 15. The literacy rate is 95.3% for men and 79.6% for women, for an overall average of 87.4%.

**Economic Trends**

In 2007 total GDP in Turkey was US$655 billion, with GDP growth at 6.9% over the period 2003 to 2007. It is expected that economic growth will slow from an estimated 2.3% in 2008 to 0.4% in 2009, before rising to about 2% in 2010 and just under 5% a year in 2011-13. Please understand that the risks to this forecast are considerable given the severity of the global financial crisis and Turkey's reliance on foreign capital inflows.

Additionally, the Turkish economy is currently undergoing a transition from heavy reliance on agriculture and heavy industry towards a more diverse market economy with more emphasis on the services sector. The authorities began the process of opening up the economy in the 1980s but in the 1990s a series of coalition governments with weak economic policies brought about a continuing boom and bust cycle culminating in a serious banking and economic crisis in 2001. Since then, however, there has been a solid recovery due to sound monetary and fiscal policies and structural reforms. Inflation has been lowered considerably, interest rates are down, the budget deficit has been greatly reduced, several large state enterprises have been privatized and the currency has been stabilized. This has led to increased foreign direct investment. To ensure continued growth and stability in Turkey, the authorities need to continue with its reform policy. Turkey is now in accession negotiations to join the European Union.

**The Media Environment**

There were 81 daily newspapers in print in Turkey in 2004, 43 of which are nationals and 38 of which are regional/local titles. Total circulation was 4.9 million, up 22.3% from 2000. The top selling daily is *Hürri Posta* which has a circulation of 542,000, followed by *Posta Hurriyet* with a circulation of 494,000. In 2004 newspaper advertising revenue was US$433.5 million.

In 2004, there were 176 consumer magazine titles in Turkey, an increase of 67% compared to 2001. Some 47% of revenue was derived from advertising and 53% from sales. The main consumer magazine publishers in 2004 included *Doaaan* and *Bursa Rizzioli*. Revenue from magazine advertising was US$68.1 million, while total print advertising expenditure in Turkey was at US$1,307 million in 2004, 105% up from 1995. Tobacco advertising and advertising of OTC drugs is banned by law, while advertising of alcohol and advertising to children is permitted.

Internet usage levels stood at around 14% in 2005, up from 3% in 2000. Broadband penetration is low at just over 2%.

**Print Market Trends**

The Turkish print market was valued at TL2.79 billion (US$2.07 billion) in 2005, projected to grow by 9.5% in absolute terms in 2006 and by 3% in real terms, excluding the impact of inflation. During the period 2001-2006, the market grew at an average annual rate of almost 20% in absolute terms and 2.4% in real terms.

Flexo represents the single largest segment of the Turkish market across print processes, with flexo printing output valued at TL1.28 billion in 2005, projected to grow by 6% in absolute terms in 2006. Coldset web offset is the single largest component of offset litho printing with output at TL325 million ahead of sheetfed at TL293 million, with heatset web offset standing at TL279 million. The fastest growing areas of the market are Electro-photography and Inkjet at TL150 million and TL164 million respectively in 2005, with screen and flexo to some extent losing market share.

Across end-use areas, packaging represents the single largest product sector with sales of TL1.38 billion in 2005, projected to grow by 6% in 2006. Other key fast-growth areas in recent years include advertising sectors such as inserts, coupons and posters.

With a relatively large population and high literacy levels coupled with strong GDP growth in recent years, Turkey is clearly a market deserving more attention from NPES members. For more data on this market, please download the Country Market Report from the NPES website by pasting this link: http://www.npes.org/wwmp-turkey.html into your browser.

To learn more about this market, please mark your calendar for the next major trade show in the country, Printtek 2010, the 11th International Print Technologies and Paper Fair. The show will take place May 29-June 6, 2010 at the Tiyap Fair, Convention and Congress Center in Istanbul, Turkey. The show website is: www.printtekfair.com. Also, NPES intends to host a trade mission around this show to explore the market in greater depth and assist members in getting business started or growing it faster there.

Inflation has been lowered considerably, interest rates are down, the budget deficit has been greatly reduced, several large state enterprises have been privatized and the currency has been stabilized.”
FOR MEMBERS ONLY

RESEARCH PUBLICATION DISCOUNTS

NPES, through its relationship with PRIMIR, has access to consultants and other market research organizations around the world. Recently, as a result of member inquiries, NPES has been able to negotiate a discount for members on some market research studies done by consultants that have worked with PRIMIR as follows:

NPES and PRIMIR members are now entitled to receive a 10% discount off any INTERQUEST publication. This consulting firm offers research on topics such as direct mail, transactional printing, digital printing, and more. For complete details about INTERQUEST offerings visit: www.interquest.com. Be sure to mention that you are a PRIMIR or NPES member when ordering.

Pira International has extended a special discount to NPES and PRIMIR members for their newest offering “Post-Drupa Technology Forecast for Print to 2018.” The report sells for $4,500, but from now thru April 30, 2009, NPES and PRIMIR members may obtain the report for $3,600 (a 20% discount). For complete details about this report visit: www.pira-international.com.

NPES is also a member of the Sloan Printing Industry Center at Rochester Institute of Technology. Through this relationship, NPES members can receive any of the studies conducted through the Sloan Center. A complete list of these books, studies and reports is available online at: http://print.rit.edu/research/?page=monographs. For more information on these reports, or to obtain a free copy, contact Rekha Ratnam at phone: 703/284-7200 or e-mail: rratnam@npes.org.

The New Era of Sustainable Print

During 2008, Pira International conducted research for PRIMIR/NPES in a study entitled “Sustainable Print in a Dynamic Global Market: What Going Green Means.” With North America being the largest producer of global printed products, and the groundswell of focus on energy conservation, environmental and sustainability concerns, PRIMIR members agreed it was time to face the issue head-on and learn more. The 300+ page study, soon to be published, delves into the impact of print on the environment. It investigates who is driving sustainability in our industry, accreditation and other environmental management programs and systems, regulatory and compliance issues, how print compares with other industries, and carbon footprinting and offsetting. In the end, the study provides a number of best practice case studies as well as recommendations for all firms in the print supply chain.

According to the study, “The world is now at a crossroads between the old path of development at the cost of environmental degradation, and a new path combining economic growth with social responsibility and environmental sustainability.” Sustainability is generally defined as:

• Balancing the needs of society, environment and the organization, and

• Meeting the needs of the present without compromising the ability of future generations to meet their needs.

The industry is awash with ‘green’ claims and a lot of greenwashing. It is difficult to separate the myth from reality, but the PRIMIR study found that few companies in our industry that claim to be ‘green’ truly are. The study pointed to a significant need for education around virtually every element on the path to sustainability. Most printers claim to be ‘green’ simply because they are FSC certified. On the positive side, however, a large number of printers are recycling everything they can from their operation, and many are also generating income as a result. Other more progressive firms have an all-out corporate commitment and culture towards sustainability, full time staff dedicated to that purpose, and have made significant investments that already provide a positive ROI—not only to their production costs, but also in new customers who are seeking a sustainable supplier. Some examples include a small west coast printer who said that a $5,000 investment in a solvent recovery system generated 30% reduction in solvent use. Another print firm reportedly generates $5,000 to $7,000 per year by recycling plates. And one of the few ISO 14001 certified printers in the U.S. said that the investment of $30,000 over three years in certification and audits had a positive ROI, even without accounting for the additional business gained as a result.

While the corporate commitment and culture is a huge driver for many of the printers interviewed, the researchers found that the Fortune 1000 companies (customers) are one of the main drivers for companies that commit to ‘green’ and sustainable practices. The PRIMIR research found that a key issue for print buyers about sustainability of print is with paper (recycled content, landfills, and sustainable forestry). However, the research clearly indicates a trend and shifting focus towards carbon footprint concerns and ‘carbon neutrality.’

For corporate communications executives, it is easy to assume that using alternative electronic media (e-mails, podcasts, websites, or even television) are naturally greener. Reduction of print is an easy target, but in reality, e-media alternatives have a
far greater environmental impact than is commonly believed. Consider this, while the paper industry is the U.S.'s second largest user of electricity, with consumption of 75 billion kilowatt hours in 2006, data centers and servers were not far behind, having consumed 61 billion kilowatt hours of electricity. And, since print volumes are declining, while the use of data centers is projected to double in five years, and the disposal of electronic goods is the fastest growing cause of toxic waste, this is far from a safe alternative.

The quest for sustainable print in this dynamic global market, with downward pricing pressure, a global credit crunch, and escalating energy prices, at first glance appears to face an insurmountable challenge. The industry needs to develop a new philosophy of supply chain integration, a partnership approach, and a more supportive and inclusive dialogue.

There are a variety of complex issues facing the print community, from more efficient production to lifecycle assessment of products and compliance with even tighter regulations. A key recommendation to everyone in the print supply chain: “Educate!” Educate yourself, your customers, suppliers, employees and your local community. This education must be compelling and creative to change the culture of a business and get all the staff onboard for the journey that lies ahead.

In the end, the PRIMIR study “Sustainable Print in a Dynamic Global Market: What Going Green Means” identifies a number of recommendations for all participants in the print supply chain. Among them:

- Develop a concerted effort to focus on increasing the uptake of ISO 14001 and the standardization of EMS processes.
- Carbon calculation best practices need to be developed with all key stakeholders in the supply chain.
- The industry needs even lower VOC solutions for washes, solvents and ink, with improved performance of capture and recovery systems.
- There needs to be greater incentives for energy reduction and the utilization of renewable energy sources.
- There also needs to be more widespread awareness of water conservation measures.
- Designate an environmental champion to act as a catalyst for change within the business and start to measure and record what you are currently doing.

An Executive Synopsis of this research study will be circulated to all NPES member firms soon. NPES corporate members may request a free copy of the full study. •

NPES 2009 Industry Summit
PRINT OUTLOOK • PRIMIR • NPES
MARCH 23-25, 2009 • WASHINGTON, D.C.

Where can you get all of the latest industry trends and economic updates you need now? The NPES 2009 INDUSTRY SUMMIT brings together PRINT OUTLOOK 09 with the PRIMIR Spring Meeting and NPES Board of Directors Meeting to enhance your industry knowledge and maximize your networking opportunities while minimizing your time away from the office.

PRINT OUTLOOK 09, slated for March 23-24, is the ideal educational and networking experience for industry executives and managers with a stake in marketing, sales finance, research, manufacturing and operations. Attendees will benefit from this conference by gaining answers they need about the state of the economy, pivotal trends in the marketplace and information on business prospects for the future.

Previewing our powerhouse of speakers are:
- Alan Beaulieu, President and Chief Executive Officer, Institute for Trend Research on “Economic Reality—The Recession...how deep?...how long?”
- Andrew Paparozzi, NAPL Chief Economist on “The Outlook for Commercial Printing 2009”
- Jade West, Senior Vice President-Government Relations, National Association of Wholesaler-Distributors on “The Outlook for Business Under the New Administration”
- A Panel Discussion moderated by Gary Jones, Director, Environmental Health & Safety Affairs, Printing Industries of America on “The Greening of Print—Printers Adapt and Prosper with the New Reality of Sustainability” with invited panelists: Howie Swerdloff, Sr. VP, Human Resources, Sandy Alexander, Inc.; Jim Duffy, President, ALONZO; and, David P. Podmayersky, Sustainability Director, EarthColor.
- Ronnie Davis, Chief Economist, Printing Industries of America on “How Printers are Adjusting to the Realities of the 21st Century.”

Members will further hone their competitive edge by participating in the PRIMIR Spring Meeting immediately following PRINT OUTLOOK. Each year, PRIMIR conducts several of the industry’s most comprehensive research studies on topics of critical strategy concern to manufacturers, suppliers and printers. Be at the Spring Meeting for your insider’s preview of the newest PRIMIR studies:

- Media Mix and the Impact on Print
- Sourcing Behavior of North American Print Originators

SPECIAL ROOM RATE AVAILABLE UNTIL 2/27/09!
Register online NOW at: www.npes.org/conferences
How to Defend your Prices in Difficult Times

T he global economic crisis is on everyone’s mind right now. Nearly every day brings more troubling news about the turbulence unfolding around us. We all want to know where our economy is headed and seek information that will tell us what to expect next and how to prepare. Among the many uncertainties now, there is one thing you can be sure of—your customers will demand lower prices. Caution: how you respond to this price pressure will impact your business for years to come.

When Your Customer Asks for a Lower Price

Let’s consider the example of a hard-working salesperson named Bill. Bill sells replacement parts for industrial production equipment. His company maintains a large, local parts inventory and provides same-day delivery. His prices are a bit higher than some of his competitors, but when his customers’ equipment breaks down, he can quickly get them the parts they need. Most of his customers are hurting from the economic downturn.

The customer already knows what they can save by switching to the competitor. What they don’t realize is that they are saving much more by using a vendor with a large inventory and same-day delivery.”

One morning, the phone rings and it’s the purchasing manager for Bill’s second-largest customer who tells Bill that a low-cost, foreign competitor is aggressively trying to win their business. “We want to keep doing business with you, Bill,” the purchasing manager tells him, “but we need you to match their pricing by giving us a 10 percent discount.”

Bill knows the easiest way to keep this account is to just give them the discount. After all, times are tough and he needs to do what he can to keep the business. But he also knows if he lowers his prices, the customer will be very skeptical of any price increases when the economy turns around. Lowering his price will also create a false perception in the customer’s mind about what his products and services are really worth, and Bill may be stuck with the discounted price indefinitely, which could seriously damage his company’s bottom line for years to come. It’s also very possible that an even cheaper competitor will come along, resulting in another phone call from the purchasing manager—and another price drop. Bill needs to give the purchasing manager an answer. He tells her that he’ll follow up, then he gets to work on defending his price.

The Dollars-and-Cents Value of Your Products and Services

Many would find themselves in a very tough spot here. For one thing, Bill’s products and the foreign competitor’s products are exactly the same, the only difference is the competitor’s lower price tag.

Luckily, Bill knows how to sell dollars-and-cents value to his customers. He knows that he is doing far more for his customer than simply selling them products. But he also knows it’s not going to be enough to just tell the customer about all the “extras” they’re getting and the value-added services he provides. Instead, he’s going to demonstrate how his products and services, despite their higher price, actually save the customer money.

Show Them the Money!

The customer already knows what they can save by switching to the competitor. What they don’t realize is that they are saving much more by using a vendor with a large inventory and same-day delivery.

Meeting with the customer’s plant manager, together they look at how Bill has saved them money over the past year. Prior to doing business with Bill, the plant had downtime costs totaling $70,000 a year. But, by getting them the parts they need when they need them, Bill reduced the plant’s equipment-related downtime by 85 percent—a yearly savings of $59,500!

Armed with these facts, Bill schedules a meeting with the purchasing manager and the plant manager. He opens the meeting by reviewing how much the customer could save with the competitor’s 10 percent discount: a total savings of $15,000 a year. Then he shows how his large local inventory and same-day deliveries are reducing downtime for a total savings of $59,500 a year! This information is credible because it is coming from the customer’s own plant manager who is sitting at the table. In closing his presentation, Bill shows that while his competitor may offer slightly lower prices, they cannot provide same-day delivery of needed parts when the customer’s production equipment breaks down. Therefore, the customer gains from Bill are nearly four times what they would save by going to the competitor.

Two days later, the purchasing manager calls Bill. They’ve reviewed the numbers, and they’ve decided that Bill will be keeping the account—at his current pricing.

Win-by-the-Numbers

In today’s hyper price-sensitive marketplace, a key success strategy is knowing how to defend prices by showing customers and prospects the dollars-and-cents value of your products and services.

Robert Nadeau is a veteran supply chain specialist and Managing Principal of The Industrial Performance Group, a management consulting firm that helps manufacturers increase sales volume and improve profitability. Mr. Nadeau headlined the NPISE 2008 Regional Meeting Series with his presentation on “Being Different in the Eyes of Your Customers.” For more information about IPG, visit: www.indusperfgp.com or phone: 800/867-2778.
New Customs Rules Impact NPES Member Importers

On January 26, 2009 new U.S. Customs & Border Protection (CBP) Interim Final Rules (IFR) went into effect. The so-called “10+2” rules will require NPES members and importing manufacturers in other industries and carriers to provide additional cargo and vessel data to CBP prior to loading ocean shipments destined for the United States. The new rules aim to enhance CBP’s ability to target high risk ocean shipments bound for the U.S., and to provide additional security measures to thwart terrorist activities and threats.

Specifically, the new rules require importers or their agents to provide to CBP ten additional data elements, to be known as a “security filing.” They include: 1) seller, 2) buyer, 3) importer of record number/FTZ applicant identification number, 4) consignee number(s), 5) manufacturer or supplier, 6) ship to party, 7) country of origin, 8) Harmonized Tariff Schedule of the United States (HTSUS), 9) container stuffing location, and 10) consolidator (stuffer). Carriers are now required to provide two additional data elements: 1) vessel stow plans, and 2) daily container status messages.

The new rules are an outgrowth of CBP’s and the Department of Homeland Security’s advanced cargo screening efforts under several earlier statues and initiatives. In reviewing the IFR the Office of Management and Budget determined that approximately 11 million import shipments conveyed by 1,000 different carriers operating 37,000 unique voyages or vessel trips for delivery to between 200,000 and 750,000 importers in the United States will be affected by the new rules.

In the post-9/11 world U.S. Customs & Border Protection rules have the dual mission of both securing and facilitating trade for NPES members and importing manufacturers in other industries. During the development of the new “10+2” rules the business community raised concerns that some requirements failed to properly balance these two important interests and needed to be recalibrated. Specifically, stakeholders cited increased cost due to estimated two to five day delays in the import supply chain—of particular concern to firms employing just-in-time manufacturing practices—as well as the fact that the new rules would treat all importers the same, regardless if they are trusted shippers, members of Customs Trade Partners Against Terrorism, or first-time shippers.

In response to these and other concerns, the IFR provides a 12-month phased-in flexible enforcement period during which CBP will show restraint in enforcing the rules, so long as importers are in good faith making satisfactory progress toward compliance. Moreover, the IFR opens a new public comment period until June 1, 2009 for the following six importer security filing data elements: container stuffing location name and address, consolidator name and address, manufacturer (supplier) name and address, ship to party, country of origin and commodity HTSUS. Additionally, penalties for violations are reduced.

In preparation for compliance, NPES member should seek advice from qualified counsel on how to navigate the new requirements. Examples of topics to consider include: confirming powers of attorney, notifying overseas vendors of the new regulations, renegotiating contracts if necessary to insure that shippers provide required information on a timely basis, and developing a master file of all HTSUS commodity classification data.

For more information contact NPES Government Affairs Director Mark J. Nuzzaco at phone: 703/264.7235, fax: 703/620-0994 or e-mail: mnuzzaco@npes.org.
Global Economic Opportunity and Prosperity

Recently released by The Wall Street Journal and the Heritage Foundation, the 2009 Index of Economic Freedom establishes the link between economic opportunity and prosperity in 183 countries across 10 specific freedoms such as trade freedom, business freedom, investment freedom and property rights.

As the global economy now faces daunting new challenges, it is good to keep in mind the six decades of increasing prosperity that the world has enjoyed since the end of World War II. U.S. Gross Domestic Product was about $1.6 trillion in 1947 as valued in 2000 dollars—a little over $11,000 per capita. In 2007, it was $11.5 trillion, or about $38,000 for each person. That is almost a doubling of average incomes each generation, made possible by free market’s efficiency in allocating capital and labor.

The 2009 Index provides strong evidence that the countries that maintain the most free economies do the best job of promoting prosperity for their people. The positive correlation between economic freedom and national income is confirmed yet again by this year’s data. The freest countries enjoy per capita incomes over 10 times higher than those in countries ranked as repressed.

Hong Kong and Singapore are once again the freest economies in the world, followed in the rankings by Australia, Ireland and New Zealand. The U.S. slipped one spot to sixth place this year because of increases in both tax revenue and government spending as a percentage of GDP. The lowest ranking six countries are Venezuela, Eritrea, Burma, Cuba, Zimbabwe and North Korea.

Every region continues to maintain at least one of the top most free economies. Ten of the 20 freest economies are European, led by Ireland, Denmark, Switzerland and the United Kingdom. Five are in the Asia-Pacific region including Japan, and two—the United States and Canada—are from North America. The other regions are represented by one country each: Chile (South/Central America/Caribbean region); Mauritius (Sub-Saharan Africa region); and, Bahrain (Middle East/North Africa region).

The biggest success stories in the Index of Economic Freedom continue to be the countries of Eastern Europe and the former Soviet Union. Azerbaijan, Armenia, Georgia, Bosnia and Herzegovina, Moldova, Lithuania and Romania have all gained at least 20 points of economic freedom over the life of the Index. Per capita GDP in these countries has grown at an average annual rate of 7.4% over the past decade.

NPES is following the path of the Index of Economic Freedom by participating in trade events and meetings with the U.S. Commercial Officers of nearly all the Eastern and Central Europe regions in the first two quarters of 2009.

Members interested in joining these business reconnaissance trips should contact Mike Hurley for further information, at e-mail: mhurley@npes.org, or phone: 703/264-7212.

The 10 Components of Economic Freedom
• Business Freedom
• Trade Freedom
• Fiscal Freedom
• Government Size
• Monetary Freedom
• Investment Freedom
• Financial Freedom
• Property Rights
• Freedom from Corruption
• Labor Freedom

NPES News is published monthly by NPES.
Publisher: Ralph J. Nappi
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Circulation: Darcy Harris 703/264-7217