



# Professional Association of Exporters and Importers

*“Leaders and Partners in Worldwide Regulatory Compliance”*

**January 2008**

**Volume 22, Number 1**

## PAEI Election 2008

**By Jo-Anne Daniels, PAEI President and Director**

At the PAEI Annual Membership meeting in December I had the honor to introduce the candidates seeking election for the PAEI Director positions for 2008.

The candidates were:

Dan Minutillo, Daniel C. Minutillo,  
A Law Corporation

Loree Stevens, Import/Export Manager,  
Symmetricom, Inc.

Marcia Davis, Senior Trade Specialist,  
JDSU

Tansie Iwafuchi, Export Compliance Manager,  
National Semiconductor

Dennis Krier, Trade and Customs Advisor,  
FedEx Trade Networks

The votes were cast. When we received the election results, I called the new Directors, Loree Stevens and Tansie Iwafuchi to congratulate and welcome them to the board.

We also are indeed fortunate that the others, who were not elected this year, are very much involved in the organization. They will be writing educational articles, organizing events, and are committed to furthering the goals of PAEI. They will aspire

to promote and foster the roles of the Export and Import professional, by providing international trade education and networking and enhance industry’s participation in the current and future import and export control issues and policies.

## Inside this issue:

PAEI Board of Director Election Results 2008 By Jo-Anne Daniels .....	Cover
PAEI Board of Directors and Officers Contact Information	2
20th Annual Membership Meeting By Lydia Bostillo .....	3- 4
The Export of Encryption Capable Products or Technology By Dan Minutillo .....	5 - 6
Arms Control Group Criticizes Validated End-User Process For Exports to China .....	7
Export Administration Act - TechNet Update By Tansie Iwafuchi .....	8
Customs Proposes Elimination of The “First-Sale Rule” For Purposes Of Determining Transaction Value by George R. Tuttle, III .....	9 - 11
Upcoming BIS Seminars .....	11
Request for newsletter articles .....	11
Origin Management Seminar .....	12 - 13
Incoterms 2000 Brown Bag .....	14
Watch Us Grow! .....	15
P.A.E.I. Membership Application .....	16

## ZERO IN ON THE RIGHT EMPLOYEE!

We'll advertise them free of charge!

### Advertise your job openings with P.A.E.I.!

Detailed instructions on how to post jobs are  
available at <http://www.paei.org/>

Visit our web site for meeting  
details, membership information, and  
valuable trade resources.

<http://www.paei.org/>

### P.A.E.I. NEWSLETTER

*Published bimonthly by the Professional Association of  
Exporters and Importers, P.O. Box 612743, San Jose,  
CA 95161-2743; Message Center (408) 532- PAEI, or  
(800) 930-PAEI.*

**Board of Directors;** Jo-Anne Daniels, Tansie Iwafuchi,  
Dan Kromat, Gieselle Perez, Loree Stevens

**Officers;** President - Jo-Anne Daniels; VP of Administra-  
tion - Anne van de Heetkamp; Chairman of the Board -  
Dan Kromat; VP of Development - Cindy Shull Lakey;  
Secretary - Laura Putnam; Acting Treasurer - Dan Kromat

**Committee Chairs;** Education, Dennis Krier; Marketing,  
Tansie Iwafuchi; Membership, Open; Programs, Open;  
Publications, Open

**Editor;** Melanie Brown

**Publisher;** Karen Hebert, Direct Mail Services

*Articles for publication, letters to the editor, and requests for copies  
should be submitted to [mbtrade06@yahoo.com](mailto:mbtrade06@yahoo.com), or on diskette to  
the P.A.E.I. PO Box in San Jose. Articles must be submitted to the  
Editor NLT the 3rd of each odd month, Newsletters will be emailed  
the 1st of each even month. P.A.E.I. does not guarantee the accuracy  
of the contents of this publication. For further information concern-  
ing the topics in the newsletter consult the applicable regulations or  
your local Department of Commerce or Customs representative.  
2007 P.A.E.I., Inc. All rights reserved.*

## 2008 P.A.E.I. Board of Directors/Officers

### President & Director

Jo-Anne Daniels  
Trade Resources & Associates  
[tra3332003@yahoo.com](mailto:tra3332003@yahoo.com)

### Vice President of Administration

Anne van de Heetkamp  
TradeBeam  
[annevandeheetkamp@tradebeam.com](mailto:annevandeheetkamp@tradebeam.com)

### Director

Loree Stevens  
Symmetricom, Inc  
[Lstevens@symmetricom.com](mailto:Lstevens@symmetricom.com)

### Director

Gieselle Perez  
NVIDIA Corporation  
[gperez@nvidia.com](mailto:gperez@nvidia.com)

### Director

Tansie Iwafuchi  
National Semiconductor Corp.  
[Tansie.iwafuchi@nsc.com](mailto:Tansie.iwafuchi@nsc.com)

### Chairman of the Board, Director & Acting Treasurer

Dan Kromat  
KSI Corp.  
[dan.kromat@ksicorp.com](mailto:dan.kromat@ksicorp.com)

### Vice President for Development, Past Director & PAEI Co-Founder

Cindy Shull Lakey  
MK Data Services  
[cindy@mkdenial.com](mailto:cindy@mkdenial.com)

### Secretary

Laura Putnam  
LSI Corporation  
[Laura.Putnam@lsi.com](mailto:Laura.Putnam@lsi.com)

**P.O. Box 612743  
San Jose, CA 95161-2743  
Tel: (408) 532-PAEI  
Fax: (408) 274-7611  
<http://www.paei.org/>**

## 20th Annual Membership Meeting

By Lydia Bostillo

On Thursday, December 6, 2007, PAEI held its 20th Annual Membership Meeting at the Biltmore Hotel and Suites. We had our biggest turn out in a long time, and around 55 people attended!

Each attendee received a raffle ticket, and door prizes were given out. The food was great, the door prizes were fabulous, and everyone had a wonderful time!

PAEI would like to thank the following companies who donated prizes that were raffled off:

- Biltmore Hotel and Suites
- Expeditors San Francisco
- FedEx Services
- Law Offices of George R. Tuttle, A.P.C.
- N.F. Stroth and Associates, LLC
- NVIDIA
- Trade Resources & Associates

Much thanks to Marcia Davis who coordinated PAEI's First Annual Toy Drive to support InnVision. InnVision is the Silicon Valley's largest provider of housing and services to homeless and at-risk families and individuals. More than 16,000 people are served annually at 20 sites throughout the region. New unwrapped gifts were brought to the Annual Membership meeting, and Marcia delivered them to InnVision.

We hope to see all those who attended the 20<sup>th</sup> Annual Membership Meeting and more PAEI members at the 21<sup>st</sup> Annual Membership Meeting in December 2008!

Pictures taken at the Annual Meeting are on pages 3 and 4.



**Pictures taken at the Annual Meeting on December 6, 2008**



## The Export of Encryption Capable Products or Technology

### Part One

By Dan Minutillo, Attorney at Law

PAEI Member

This article will be in a number of parts, appearing in consecutive PAEI Newsletters. Each part will provide practical, straight-forward information to be used by the export practitioner at any level when dealing with products which use or contain cryptography. The first part will define encryption for export purposes and provide some general guidelines and steps to be taken before crypto capable products leave the United States to ensure compliance with the Export Administration Regulations (EAR) including “one time review” (notification) requirements. Later parts will address encryption and the use of the ENC exception to avoid licensing, License Free Zone exports, *de minimis* rules, updates and later revisions to crypto products, mass market crypto, the export of source code crypto, bit length exceptions, the use of publicly available crypto libraries or algorithms, hashing and data compression, restricted and unrestricted export criteria and application, the need for encryption certificates when exporting product to France and other countries, reporting and recordkeeping, due diligence criteria, and various Export Control Classification Numbers (ECCN’s) applicable to crypto products and technology. Again, the purpose of each part is to provide practical, useful information for the export practitioner as opposed to a theoretical dissertation on applied cryptography from an engineering or architectural standpoint—which would probably put you to sleep anyway.

## What is encryption?

After 30 years of practicing law, the one certain discovery that I’ve made is that when it comes to writing or lecturing about cryptography, it is more difficult for the writer but much more useful for the reader to keep it simple. It is easy to overcomplicate a discussion about encryption. Scores of books are written about congruent generators, self synchronizing ciphers, key scheduling, and other related crypto issues making it easy to overcomplicate understanding the process. Avoiding that, for this series of articles, a good starting place is as follows: What is encryption? Most electronic messages are created in plaintext called cleartext. When you type a letter on your keyboard and send it in cleartext without using a crypto function, for definition purposes, nothing changes from sender to receiver. An overly simplistic example, if you type the letter “G” unencrypted to be transmitted electronically to another person, a “G” is transmitted and received by the recipient. If the message (your system) uses encryption, a set of instructions merely disguises your message to hide it as transmitted by transforming your message from cleartext to ciphertext (from a G to an X for illustration). So your message is created in cleartext (a G as typed) and is encrypted into ciphertext (disguised as an X) and then turned back into cleartext by decryption (from an X back to a G). Cleartext is readable by the recipient (the reader sees a G), ciphertext is not. This is a very simple explanation of the process suitable for this article.

Different words are used by various Government standards to describe this process but the application remains the same, i.e., cleartext to encryption to ciphertext to decryption, back to cleartext (a G to an X and then back to a G). A cryptographic algorithm,

(Continued on page 6)

(Continued from page 5)

which is called a cipher, is the mathematical function used to encrypt and decrypt cleartext. An algorithm is a set of instructions performed in a prescribed sequence to compute a desired result or achieve a goal, e.g., a set of instructions to change the G to an X to a G. Again this is overly simplistic, not exactly accurate, but a good illustration for our purposes. A cryptographer reading this article will be screaming but this is a good starting place to analyze encryption for export purposes.

### **What products or technology use or contain encryption for export control purposes?**

Products which use or contain encryption or decryption technology are controlled by the United States Government Bureau of Industry and Security (BIS) for export purposes. Products or technology which perform an encryption function (encrypt or decrypt data or information, though not addressed here, some hashing and data compression technology) are considered by the Government to be “encrypted products” subject to Government control.

An engineer or product manager developing or working with a product can quickly and easily tell you if a product or technology contains encryption algorithms but what if the product itself does not contain encryption algorithms but uses encryption by hooking into a third party product (like a browser), making calls to a third party crypto library, publicly available or not, or when integrated or joined with a third party product performs a crypto analytic function even though the product on its own does not do so. Are these products controlled as crypto capable product? Yes, if your product uses or contains encryption, it is controlled for export purposes. Though these products may not contain any encryption algorithms or instructions, these

products are called crypto with a hook or crypto with a hole and are considered “encrypted products” by the Government.

### **If you have determined that your product or technology uses or contains encryption, what is your first step to be compliant with export regulations by the time of export of the product?**

By the time of the export, generally, if your product uses or contains encryption, you must accomplish a “one time review” (notification) with the United States Government. To accomplish this review, you must submit information about the following to the BIS and to the ENC Encryption Request Coordinator at the National Security Agency: information about encryption algorithms; key lengths and how the algorithms are used including encryption modes supported; key management algorithms including module sizes; textual description including source code of the algorithm if the product uses proprietary algorithms; a description of any pre-processing methods applied to the cleartext data before encrypted; post processing methods applied to the cipher text after encryption; communication protocols used; encryption related application programming interfaces; any third party hardware or software encryption components used by the product; information about user modification, key management and key space. See Supplement No. 6 to part 742 of the EAR for a complete list.

I strongly recommend that concurrent with this “notification” submission, you accomplish a Classification Request resulting in a CCATS from the Government regarding the product or technology. More about this and use of license exception ENC for crypto products in the next newsletter.

If you have a question, contact Dan at 408 998 8900 or [dan@minutillolaw.com](mailto:dan@minutillolaw.com)



**Volume 15, Issue 5**

**Monday, January 7, 2008**

As reported in \*The Daily Bugle online newsletter publication by James Barlett

## Arms Control Group Criticizes Validated End-User Process for Exports to China

The Wisconsin Project on Nuclear Arms Control released this week a report recommending that the U.S. suspend its recently implemented validated end-user program for China until after the Government Accountability Office investigates the program and improved criteria are established to better determine which Chinese companies are eligible to participate. The VEU program was created in a June 2007 Bureau of Industry and Security final rule to facilitate increased high-technology exports to companies in China that have a record of using such items responsibly. VEUs are able to obtain eligible items that are on the Commerce Control List without having to wait for their suppliers to obtain export licenses from the BIS. Authorization VEU covers a wide range of items, may be used by foreign re-exporters and does not have an expiration date.

The watchdog group said the process for selecting VEU participants has failed to safeguard U.S. national security, finding that two of the five companies approved as VEUs in October 2007 failed to meet the program's selection criteria. According to the report, these two companies are affiliated closely to China's military-industrial complex and to companies that the U.S. has previously punished for proliferation or other improper export activities. Reducing controls on exports to these companies increases the risk that U.S. goods will help China improve its armed forces and be sent illicitly to Syria or Iran, the

report said. But the group suggested that these concerns have taken a back seat to the BIS's goal of reducing the regulatory burden of export licensing, noting that the five companies initially approved for VEU status accounted for 18 percent of total U.S. exports licensed to China in 2006. The group concluded that the VEU program needs a better participant review process that would fully consider the activities of companies associated with the firms under review and "reject risky candidates" like the two identified in the report.

Source Document:

[http://www.strtrade.com/wti/2008/january/07/veu\\_report.pdf](http://www.strtrade.com/wti/2008/january/07/veu_report.pdf)



*The Northrop Grumman Corporation Law Department sends the NGC Export/Import Daily Update ("The Daily Bugle") every business day to nearly 2,000 subscribers to help NGC employees, customers, and others comply with U.S. defense and high-tech trade restrictions and Federal business ethics regulations.*

<http://www.strtrade.com/wti/wti.asp?pub=0&story=29560&date=1%2F7%2F2008&company>

## **Export Administration Act - TechNet Update**

**By Tansie Iwafuchi, PAEI Director**

On January 17, 2008, TechNet hosted Mr. Mario Mancuso, the Under Secretary of Commerce in Santa Clara, California. During his speech, the undersecretary discussed many topics. In May, 2007 Commerce Secretary Carlos M. Gutierrez noted that reauthorization of the statute guiding dual-use export control policy (the Export Administration Act), keeping export controls aligned with foreign policy and national security interests, changes in technology and the economy, and addressing key defense industrial base issues were the priorities for Mr. Mancuso's administration.

The Export Administration Act of 1979 lapsed on August 21, 2001. Since the lapse, enforcement officials have been dependent on the President's invocation of emergency powers under the International Emergency Economic Powers Act (IEEPA). The IEEPA is not favored by government because it limits penalties that may be collected from export violators, and has certain legal complications for enforcement. Companies who violate the export regulations under IEEPA will pay penalties of up to \$50,000, willful violations to \$50,000, and 20 years of imprisonment. Penalties under the EAA can be up to \$1,000,000.00 for certain violations. Under IEEPA, export enforcement agents must obtain Special Deputy U.S. Marshall status in order to function as law enforcement officers; the EAA allows them to function without Marshall status. Additionally, the confidentiality of companies applying for license applications is not protected, nor is the ability of the President to limit the

jurisdiction of federal courts in enforcement cases. The government has stated that this opens up the possibility that a company could be tried in multiple State Federal courts for the same export related offense. The EAA came up for review in August 2, 2007 under a proposal by US Senator Christopher J Dodd, D-Connecticut. Senator Dodd introduced the Export Enforcement Act of 2007 (S. 2000). The bill would have authorized the EAA for five years. At this time, the EAA has not passed. Under secretary Mancuso said that the legislation is in the hands of other agencies, and that he would like to see it pass.

On the exporters side, some do not necessarily support a new EAA unless certain provisions and changes are made. In October 2007, President Bush signed into law (IEEPA) an increase in the maximum civil penalties from \$50K to \$250K, or twice the amount of the transaction. Criminal penalties are now set at a maximum of \$1,000,000.00. One exporter at the meeting mentioned that the EAA penalty levels were set at levels that were far too high for smaller sized companies. The exporter said they would like to see smaller penalties for administrative offenders, and more consideration for reduced fees for those companies who made prior disclosures of violations. On the legal side, one attorney mentioned to me that Congress can exercise its existing constitutional power to limit the jurisdiction of federal courts, and that an EAA is not needed for Congress to utilize this power.

As the administration of George W Bush enters the last year, it should be interesting to see if the EAA is passed, or if it will wait for the new administration in 2009.

## Customs Proposes Elimination of The “First-Sale Rule” For Purposes Of Determining Transaction Value

By George R Tuttle, III, PAEI Member

In a notice published January 24, 2008, Customs is proposing ([Proposed Interpretation of the Expression “Sold for Exportation to the United States” for Purposes of Applying the Transaction Value Method of Valuation in a Series of Sales](#)) (73 Federal Register page 4254, January 24, 2008) to eliminate the use of the First-Sale rule for purposes of determining transaction value for certain types of import transactions.

Transaction Value (which is defined as the “total price paid or payable for imported merchandise when sold for exportation to the United States”) is the preferred method of valuation of imported merchandise for Customs purposes. Transaction value will always be used unless it is determined that there is no sale, or there exists circumstances that preclude the application of transaction value (an example of this might be a related party transaction where the relationship affects the price).

For Transaction Value to apply, there must be a sale of the goods subject to the customs entry process, and that sale must have caused the exportation of the goods to the United States. In a traditional **single tier** import transaction, the purchaser of the goods is located in the U.S. and is also acting as the importer of record. The exporter is a foreign party and the seller of the goods. If the parties are unrelated and there are no other circumstances that affect the purchase, the Customs value of the goods will be the price paid by the purchaser to the foreign seller for the imported merchandise.

Sometimes, however, the foreign seller of the goods purchases the goods from another party and then resells those goods to the U.S. purchaser. This is often referred to as a **multi-tiered transaction**, with the reseller acting as a middleman between the actual manufacturer and the U.S. purchaser.

Based on a number of existing court decisions and resulting administrative practice, if, in a multi-tiered

import transaction, the sale between the foreign manufacturer and the middleman “caused the imported goods to be exported to the United States,” then that sale can be used as the reported value for customs purposes, rather than the selling price between the foreign middleman and the U.S. purchaser/importer. See *Nissho Iwai American Corporation vs. U.S.*, 16 CIT 86,786 F. Supp. 1002 (1992); rev’d., 982 F.2d 505 (1992); and, *Synergy Sport International, Ltd. v. United States*, 17 C.I.T. 18 (1993). This is referred to as the “**First-Sale**” rule.

In *Synergy Sport International, Ltd.*, the court addressed the dutiable value of merchandise imported pursuant to a three-tiered distribution arrangement involving a foreign manufacturer, a middleman and an ultimate U.S. purchaser. The middleman in this case was the importer of record. The issue was which of the two sales, one being the sale between the foreign manufacturer and the middleman and the other being the sale by the middleman to the U.S. purchaser, should be the basis of transaction value for appraisal purposes. The Court determined that the price actually paid or payable by the middleman/importer to the foreign manufacturer was an acceptable transaction value. Under the “**First-Sale**” rule, the Court concluded that the importer could utilize the lower of the two values for Customs valuation purposes if the sale between the foreign manufacturer and the middleman was:

- Negotiated at arm's length, and
- Involve goods clearly destined for export to the United States.

CBP is proposing to eliminate the use of the “first-sale” ruling, citing numerous difficulties with its application, including:

- The need for extensive review of documents and fact-finding to determine whether fungible goods are clearly destined to the U.S. when they are sold to the intermediary;
- Lack of information as to whether a particular first sale transaction is a *bona fide* arm’s length transaction, especially when some or all of the parties involved are related;

(Continued on page 10)

(Continued from page 9)

- Post-entry audit verification issues due to the fact that CBP lacks direct access to the books and records relevant to the first transaction, including accounting records;
- Difficulty for an importer to meet its obligations under 19 U.S.C. 1484 to use reasonable care to properly declare the value of imported merchandise since the importer may not have access to all the transaction documents and the surrounding details, and, without knowledge of all the particulars surrounding that sale, can not attest to the truthfulness of the value declaration as required by 19 U.S.C. 1485(a).

In its notice, Customs proposes a new interpretation of the phrase “sold for exportation to the United States” for purposes of applying the transaction value method of valuation in a series of sales importation scenario. CBP proposes that the price actually paid or payable for the imported goods when sold for exportation to the United States should be the “price paid in the last sale occurring prior to the introduction of the goods into the United States”. Customs says that under this proposal, transaction value will normally be determined on the basis of the price paid by the buyer in the United States.

In support of this new interpretation, CBP points to a 2007 commentary by the World Customs Organization (WTO) Technical Committee on Customs Valuation as set forth in “*Meaning of the Expression ‘Sold for Export to the Country of Importation’ in a Series of Sales.*” (Commentary 22.1). Wherein, it was noted that while the “[Valuation] Agreement does not define or otherwise directly address the meaning of the expression “sold for export to the country of importation,” the opinion of the Technical Committee was that:

The underlying assumption of Article 1 is that normally the buyer would be located in the country of importation and that the price actually paid or payable would be based on the price paid by this buyer. The Technical Committee concludes that in a

series of sales situation, the price actually paid or payable for the imported goods when sold for export to the country of importation is the price paid in the *last sale* occurring prior to the introduction of the goods into the country of importation, instead of the first (or earlier) sale. This is consistent with the purpose and overall text of the Agreement.

Customs is also justifying its new interpretation of the language “sold for exportation to the United States” on court decisions that have previously considered the relevance of the Valuation Agreement as interpreted by the Committee on Customs Valuation to the proper legislative and statutory interpretation of the Value law (19 U.S.C. 1401a), and the need to maintain an interpretation that is consistent with U.S. obligations under the WCO Valuation Agreement. As such, CBP proposes to change its current position with regard to the determination of transaction value in a series of sales context and to adopt the conclusions in Commentary 22.1.

### Impact Of The Proposed New Interpretation

While impact of the proposed interpretation on the general importing public will be small, it will have a significant impact on import transactions involving Non-Resident importers from Canada, the Far East, and elsewhere, that make use of the First-Sale Rule. The rule could also affect *Synergy Sport* type transactions, where the middleman is the importer of record, and presumably CBP would still have access to the necessary documentation to support the claim.

The proposed change may also effect certain import transactions where the U.S. purchaser has a just-in-time inventory program and a DDP type contract with its supplier. In such a case, the declared value might have to be the selling price between the importer and the end customer rather than the importer and the supplier. In HQ 542930, dated March 4, 1983 (TAA No. 59) CBP said that the fact that title to merchandise may pass at some time subsequent to its importation into the United States does not preclude a sale for exportation to the United States, which may be used to establish transaction value.

(Continued on page 11)

(Continued from page 10)

(By contrast, in three other rulings involving "just-in-time" or "supplier-managed" inventory systems, CBP found that sales for exportation did not exist where title to the imported merchandise passed after importation. (See HRL 548574, *supra*; HRL 548236, dated March 27, 2003; and HRL 548273, dated April 17, 2003.)

### Comment Period Open Until March 24, 2008

CBP is soliciting formal comments on the proposed interpretation until March 24, 2008.

Importers who are making use of the First-Sale Rule, whether for import transactions involving a non-US middleman, a U.S. resident middleman, or a DDP type transaction should evaluate the impact of this proposed interpretation and consider submission of comments. While this may ultimately need to be resolved by legislation or court action, affected importers need to weigh in on this issue with meaningful objections.

For those interested, we would be pleased to assist in explaining how this proposed change may affect how your company declares its import values and prepare comments and objections to this controversial proposal. We would also be pleased to discuss what options might be available should this proposed interpretation become effective.

*For more information regarding these issues, contact George Tuttle, III at (415) 986-8780 or [geo@tuttlelaw.com](mailto:geo@tuttlelaw.com). George R. Tuttle, III is an attorney with the Law Offices of George R. Tuttle in San Francisco.*

The information in this article is general in nature, and is not intended to constitute legal advice or to create an attorney-client relationship with respect to any event or occurrence, and may not be considered as such.

Copyright © 2008 by Tuttle Law Offices.  
All rights reserved.

Information has been obtained from sources believed to be reliable. However, because of the possibility of human or mechanical error by our offices or by others, we do not guarantee the accuracy, adequacy, or completeness of any information and are not responsible for any errors, omissions, or for the results obtained from the use of such information.



## Upcoming P.A.E.I./BIS Events

### Mark Your Calendars!

- **May 20 - 21, 2008**  
"Complying with U.S. Export Controls"
- **May 22, 2008**  
"Technology Controls"
- **September 24 - 25, 2008**  
"Complying with U.S. Export Controls"

Watch the PAEI Web site for  
these and other events,  
<http://www.paei.org>

### PAEI Members Share Your Insights!

The P.A.E.I. Newsletter is a publication that is written by its many members. If you have an article you have written, or have any web site that you would like to share with your fellow PAEI members in the next newsletter, please contact:

Melanie Brown at [mbtrade06@yahoo.com](mailto:mbtrade06@yahoo.com)



**Professional Association of Exporters and Importers**  
**“Leaders and Partners in Worldwide Regulatory Compliance”**

## Origin Management

Developments in and Compliance with Free Trade Agreements (‘FTAs’)

Sustaining Preferential Claims, and Non-Preferential Origin Issues

With Free Trade Agreements (FTAs) implemented at a record pace and substantial duty savings to be made from the FTAs, Origin Management has emerged as a key aspect of trade compliance and strategic sourcing. The calculation of preferential eligibility, duty rate implications, and supplier’s origin statements has become a tremendous challenge, and being able to substantiate preferential origin claims is a vital component of a proper compliance program. The PAEI organizes a seminar that provides insight into what it takes to substantiate origin claims, the way customs audits origin claims, and a wide variety of associated elements of origin management.

We hope you will join PAEI at this Origin Management Seminar.

**Speakers:** George Tuttle III, Law Offices of George R. Tuttle, A.P.C.

Rebecca Lucas, Customs and Border Protection

Carolyn Muhlstein, Cisco Systems

Betty Williams, Office of Regulatory Audit

**Date:** Wednesday, February 13, 2008

**Cost:** \$150.00 for PAEI members                      \$175.00 for non-members

**If you would like to become a member and attend this event at the PAEI member rate, please go to <http://www.paei.org/join.htm> and join now.**

**Time:** 8:30 AM – 4:30 (price includes continental breakfast and lunch) **Registration will begin at 8:15AM.**

**Location:** Biltmore Hotel, 2151 Laurelwood Rd, Santa Clara, CA 95054, (408) 988-8411

You may register for this meeting and pay by credit card in a secure environment on our web site at <http://www.paei.org/>. We accept Visa/AMX/Mastercard. You can also send a check postmarked no later than Wednesday, February 6, 2008, and payable to, PAEI, P.O. 612743, San Jose, CA 95161-2743. PAEI’s Tax Id Number: 680117035.

For further information, please contact Anne van de Heetkamp by phone; (650) 653 7209 or by

e-mail; [anne.vandeheetkamp@tradebeam.com](mailto:anne.vandeheetkamp@tradebeam.com).

**Seating is limited. Register early!**

**Origin Management Seminar Agenda**

- 8.30 – 9.00 Sign-in, continental breakfast
- 9.00 – 9.30 Introduction - Overview Global Developments in Origin  
Anne van de Heetkamp, Vice President, PAEI
- 9.30 – 10.15 Overview Current Trade Agreement/Where to Find Trade Agreement Information  
Rebecca Lucas, Operations Specialist, Customs and Border Protection
- 10.15 – 10.30 Break
- 10.30 – 11.15 Compliance with FTA – sustaining preferential claims  
Betty Williams, Field Director, Office of Regulatory Audit
- 11.15 – noon Non-Preferential Origin Issues (9802) and Qualifying Products  
George Tuttle III, Law Offices of George R. Tuttle, A.P.C.
- Noon - 1.30 Lunch
- 1.30 – 2.15 Qualification/Verification/Documentation  
Rebecca Lucas, Operations Specialist, Customs and Border Protection
- 2.15 – 3.00 Customs Audit Issues related to Preferential Claims  
George Tuttle III, Law Offices of George R. Tuttle, A.P.C.
- 3.00 – 3.15 Break
- 3.15 – 4.00 Managing Origin in a Global Company  
Carolyn Muhlstein – Cisco Systems
- 4.00 – 4.30 Q&A

**Please complete one registration form for each attendee. Please print clearly.**

**Please be sure to fill out the form completely. Registration information and further notices about the speakers will be sent by e-mail prior to the day of the event.**

Name: \_\_\_\_\_ Company: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Telephone: \_\_\_\_\_ Email: \_\_\_\_\_

Check# \_\_\_\_\_ Amount: \_\_\_\_\_ PAEI Member \_\_\_ Yes \_\_\_ No



## Professional Association of Exporters and Importers

“Leaders and Partners in Worldwide Regulatory Compliance”

### Brown Bag Trade Meeting Incoterms 2000

Incoterms, or international commercial terms, are a series of thirteen international sales terms that are used throughout the world. They are used to divide transaction costs and risk responsibilities between buyer and seller, and reflect state-of-the-art transportation practices.

Incoterms deal with questions related to the delivery of the products from the seller to the buyer. This includes the carriage of products, export and import clearance responsibilities, who pays for what, and who has claims risk for those products at different locations, within the transport process. Incoterms are always used with a geographical location and do not deal with transfer of title.

Among the best known Incoterms are EXW (Ex works), FOB (Free on Board), CIF (Cost, Insurance and Freight), DDU (Delivered Duty Unpaid), and CPT (Carriage Paid To); however, these terms are sometimes used incorrectly by U.S. exporters and importers. As an example, some do not understand that internationally, the Incoterm FOB can only be used for ocean or inland waterway shipments.

PAEI has organized a seminar for our membership to provide insight into what it takes to use Incoterms correctly. Our brown bag function will focus on several areas of understanding, and show how to address issues of claims risk and freight charges. We expect to provide a point of view on Incoterms usage from both the exporter, and the Customs broker. Q & A will follow the Power-Point presentations.

At the brown bag, we will provide a chart showing where those obligations separate between seller and buyer. We will also provide case studies for the most used Incoterms, showing various scenarios of international transport.

We hope to see you there

**Date:** Tuesday, March 4, 2008

**Cost:** Free event for PAEI members only

*If you would like to become a member and attend this event, please go to <http://www.paei.org/join.htm> and join now.*

**Time:** 11:30 AM – 1:00 PM

**Place:** ATMEL Corporation, 2325 Orchard Parkway, San Jose, CA 95131

**Directions:** 101 to Trimble exit. Right onto Orchard Parkway

From 87 (Guadalupe) exit towards First Street. Left onto Orchard Parkway.

You may register for this Brown Bag meeting by e-mailing [dennis.krier@fedex.com](mailto:dennis.krier@fedex.com)

For further information, please contact Dennis Krier by phone; (650) 714-3554

**Seating is limited. Register early!**

**Please complete one registration form for each attendee. Please print clearly.**

**Please be sure to fill out the form completely. Registration information and further notices about the guest speakers will be sent by e-mail prior to the day of the event.**

Name: \_\_\_\_\_ Company: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Telephone: \_\_\_\_\_ E-mail: \_\_\_\_\_ PAEI member # \_\_\_\_\_



**WATCH US GROW!**

**December 2007**

**New**

Amy Clark	Booz Allen Hamilton Inc
Jennifer Kessinger	Global Trade Expertise LLC
Mary O'Brien	Seagate Technology, LLC
Sharon Kolstad	
Fatima Guadamuz-Cabral	
Wanda Gilmore	Export Compliance Strategies, Inc
Melanie Brown	Vision System International

**Renew**

Cynthia Hall	
Kathy Belick	SGI
Kelly Raia	American River Logistics
Neil Lenok	American River Logistics
Michelle Diebert	Cypress Semiconductor Corp.
Rosa Gaerlan	Cypress Semiconductor Corp.
Gary Bungay	Pericom Semiconductor Corp.
Anthony Noguerras	Alliance International CHB, Inc.
Luke Alexander	C & K Investments
Pamela Harbell	Renesas Technology America, Inc
Jasbir Banwait	Renesas Technology America, Inc.
Alpha Robinson	MBCI
Linda Rushton	Adobe Systems
Carla Ventura	Adobe Systems
Lydia Bostillo	Adobe Systems
Dorothy Nowak	NXP Semiconductors USA, Inc
Jo-Anne Daniels	Trade Resources & Associates
Johanne Dictor	Trade Resources & Associates
Joseph T. Chou	Acer America Corp.
Patrick Lee	Acer America Corp.

Michelle Scott-Horwitz	Seagate Technology, LLC
Joanne Montagne	
Loren R. Sorensen	Sorensen Associates
Susan Gleason	Fujitsu America, Inc.
Jinny Lo	Fujitsu America, Inc.

**January 2008**

**New**

Jason Carney	Gatan, Inc.
Constance Giuffre	Gatan, Inc.
Jennifer Johnstone	New Focus A Division of Bookham
Susan Durr	Symmetricon
Erin Jackson	Bell-Carter Foods, Inc.
John Manalo	Atmel Corp.

**Renew**

Beverly J. Gonzales	
Jim Stuhlbarg	Synopsys, Inc
Hardip Phangureh	New Focus A Division of Bookham
Jennifer Toralba	Telogy, Inc.
Nicole Halaby	Telogy, Inc.
Maria Contrestano	Qualcomm, Inc
Marc Torres	Export Procedures Academy
Hal Plimpton	International Support Systems
Peggy Ann Prince	Hitachi Data Systems
Rocco Gattuso	International Trade Solutions
Dan Kromat	KSI Corp.
Mike Ford	KSI Corp.
Daniel Swinehart	Palo Alto Research Center
Anthony Leto	Atmel Corp.



## P.A.E.I. Membership Information

*The Professional Association of Exporters and Importers is an organization of professionals involved in import/export activities. Objectives of the association include promoting and fostering the role of the import/export professional, providing on-going education relative to regulatory issues, exchanging information and enhancing industry's participation in import/export control issues and policies.*

*P.A.E. I. sponsors quarterly luncheon meetings with featured guest speakers, a bimonthly newsletter, networking and job placement opportunities.*

*P.A.E.I. membership represents both large and small companies in the high-technology community. Membership is open to all persons interested in personal and professional growth in the international arena. Two types of memberships are available and are valid for one year from date of payment. For more information call the PAEI Message Center at telephone (800) 930-PAEI.*

*Complete this application and return it along with your check. Make checks payable to: Professional Association of Exporters & Importers, P.O. Box 612743, San Jose, CA 95161-2743. PAEI's TAX ID NO: 680117035. You may also pay online for your membership at the PAEI web site <http://www.paei.org/>.*

### Check Membership Choice:

\$25 Student (must be full time student)     \$50.00 Individual     \$150.00 Corporate\*\*

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

E-mail: \_\_\_\_\_

Company/Corporate Name: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

City, State and Zip: \_\_\_\_\_

**\*\*Corporate members please indicate second name:**

2nd Name: \_\_\_\_\_

Title: \_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

E-mail: \_\_\_\_\_

How did you hear about P.A.E.I.? \_\_\_\_\_