THE SHIPPING STANDARD

OUR EXPERTISE · YOUR ADVANTAGE

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Risky Business: Shippers Who Use Delivered Duty Paid Forwarders May Be Setting Themselves Up For Surprise Charges

OEC GROUP

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RISKY BUSINESS: SHIPPERS WHO USE DELIVERED DUTY PAID FORWARDERS MAY BE SETTING THEMSELVES UP FOR SURPRISE CHARGES

For many U.S. importers, Delivered Duty Paid (DDP) shipping from China is an easy and inexpensive solution. One price, one provider, and everything – including freight, customs clearance, duties, and final delivery – at prices far lower than traditional shipping options.

Unfortunately, many shippers are now not only discovering that service is “too good to be true,” but that there are also hidden risks that are costing some companies far more than they ever saved – and in some cases it is costing them their businesses.

The reason these problems are surfacing now is increased enforcement by U.S. Customs and Border Protection (CBP), who have caught on to the duty evasion schemes tied to DDP forwarders. That's because CBP has spent the past several years building an enforcement infrastructure specifically designed to identify the schemes that kept DDP pricing artificially low, including reducing commercial value on invoices to reduce dutiable value, misclassifying products to secure lower tariff rates, and routing shipments through shell companies positioned as fake importers of record. These tactics are not gray-area compliance lapses. They are customs fraud – and CBP is now detecting and coming after the bad actors.

When CBP uncovers fraud, it demands unpaid duties, penalties, and interest, causing many forwarders who built their entire business model on evasion to almost immediately become insolvent.

> **"When a forwarder's entire pricing model depends on evading duties, enforcement doesn't just disrupt shipments – it collapses the business," said Anthony Fullbrook, president of OEC Group's North American Region. "Even worse, if it turns out that the DDP Forwarder is actually a shell company, it will virtually take away any legal chance for a shipper to recover duties paid."**

When a fraudulent DDP provider structures its operation through entities with no real assets, shippers pursuing civil recovery have little to pursue. The money is gone, the operator has disappeared, and the importer is left holding the compliance liability. However, the problems for shippers are only beginning as CBP's response to identified fraud does not end with a single shipment.

Importers flagged through DDP enforcement actions by CBP will likely face expanded audits covering years of prior entries. If it is determined that customs values were systematically understated, the retroactive duty liability can be substantial. Shippers may also find themselves subject to heightened scrutiny on future entries, which could result in additional financial penalties.

Finally, having a compliance record flagged for duty evasion – even as an unwitting participant – will put a shipper on CBP's radar for an indeterminate amount of time, affecting each shipment the company moves.

This is why working with an experienced and knowledgeable U.S. Customs broker is no longer optional – it is essential. A qualified Customs broker ensures that shipments are declared accurately, values are correct, tariffs are paid properly, and the importer of record is legitimate. Just as importantly, a good broker helps shippers identify red flags before cargo ever moves – keeping your supply chain moving freely, legally and safely. In the end, having a customs brokerage professional identify problems before a shipment moves is exponentially less costly than what happens if CBP identifies the problem first.

> **"A broker's main role is to protect the importer," said Robert Um, Global Head of OEC Groups Customs Brokerage Division. "In today's enforcement environment, inexpensive DDP shipping can come at a very high cost. What started as a low-cost shipping option has become a major compliance liability – one that has caused real financial harm and long-term consequences for importers who believed they were simply getting a good deal."**

MAKING SENSE OF THE CURRENT LOGISTICS ENVIRONMENT: THREE INDUSTRY LEADERS SHARE INSIGHT ON WHAT SHIPPERS NEED TO DO TO GAIN GREATER CONTROL OF

The constant challenges and changes shippers continue to face in today's logistics environment can make them feel as though they are living in a never-ending soap opera. In the midst of this volatility, three industry leaders, Josh Finch, Logistics Risk Manager at TT Club; Jonathan Gold, Vice President of Supply Chain and Customs Policy at the National Retail Federation; and Trey Boring, President of IMS Worldwide, share practical guidance on how to shippers can make sense of the chaos and bring greater control to their supply chains.

In an exclusive interview with OEC Group, Josh Finch, Logistics Risk Manager, TT Club discusses the dangers of shipping in today's environment and offers advice on what shippers need to do to safeguard their cargo from cargo theft.

Jonathan Gold, Vice President, Supply Chain & Customs Policy, National Retail Federation, discusses shippers' biggest challenges in the evolving retail landscape, and offers exclusive advice on how retailers can build more resilience into their supply chains.

Trey Boring, President, IMS Worldwide discusses how and how shifting tariff and trade policies continue to impact importers. He also gives insight into how companies can incorporate using Foreign Trade Zones in their supply chain strategy.

FROM CALM TO CHAOS: HOW THE U.S.-IRAN CONFLICT IS DISRUPTING GLOBAL SUPPLY CHAINS

Just when carriers and shippers believed the worst of recent disruptions was behind them, conflict in the Middle East has once again thrown global supply chains into uncertainty. Suddenly, shippers are wondering what the future holds and how the current conflict will affect their supply chains.

The sad reality is that it already has. The Strait of Hormuz, the 21-mile-wide chokepoint connecting the Persian Gulf to the Arabian Sea, is not just an oil corridor. It is a waterway that carries containerized consumer goods, bulk raw materials, petrochemicals, agricultural commodities, and industrial components to markets across Asia, Europe, and the Americas.

Unlike the Suez Canal, which can be bypassed via the Cape of Good Hope at significant cost, the Strait of Hormuz has no detour. Ports in Kuwait, Iraq, Bahrain, Qatar, the UAE, and parts of Saudi Arabia depend on it entirely.

When tensions rise and the Strait closes down, vessels slow down or stop altogether. This often happens not because ships have been attacked, but because the risk of a serious incident becomes too high, as was demonstrated earlier in the conflict when two oil tankers were attacked and destroyed.

Insurance also becomes another major obstacle. When conflict in the Strait of Hormuz escalates, insurers may raise war risk premiums or cancel coverage entirely. This can lead to sudden surcharges, canceled bookings, and cargo left stranded at either origin or destination.

From there, a ripple effect spreads through the global shipping network. Schedules become unreliable, ports become congested, surcharges appear with little notice, and cargo delays increase. Because all global trade lanes are interconnected, these disruptions affect everyone, forcing shipping networks to adjust in order to maintain the flow of goods.

Unfortunately, those adjustments take time. For importers running lean inventory cycles, days of uncertainty translate directly into not being able to stock store shelves and sell goods.

Longer voyages add to the ripple effect because vessels that spend more time at sea cause repositioning cycles to expand, resulting in tighter equipment availability and additional reliability issues. If that is not enough, spot rates rise. As a result, shippers who locked into contract rates expecting a stable market may find carriers invoking force majeure provisions or failing to honor space commitments when more lucrative opportunities arise.

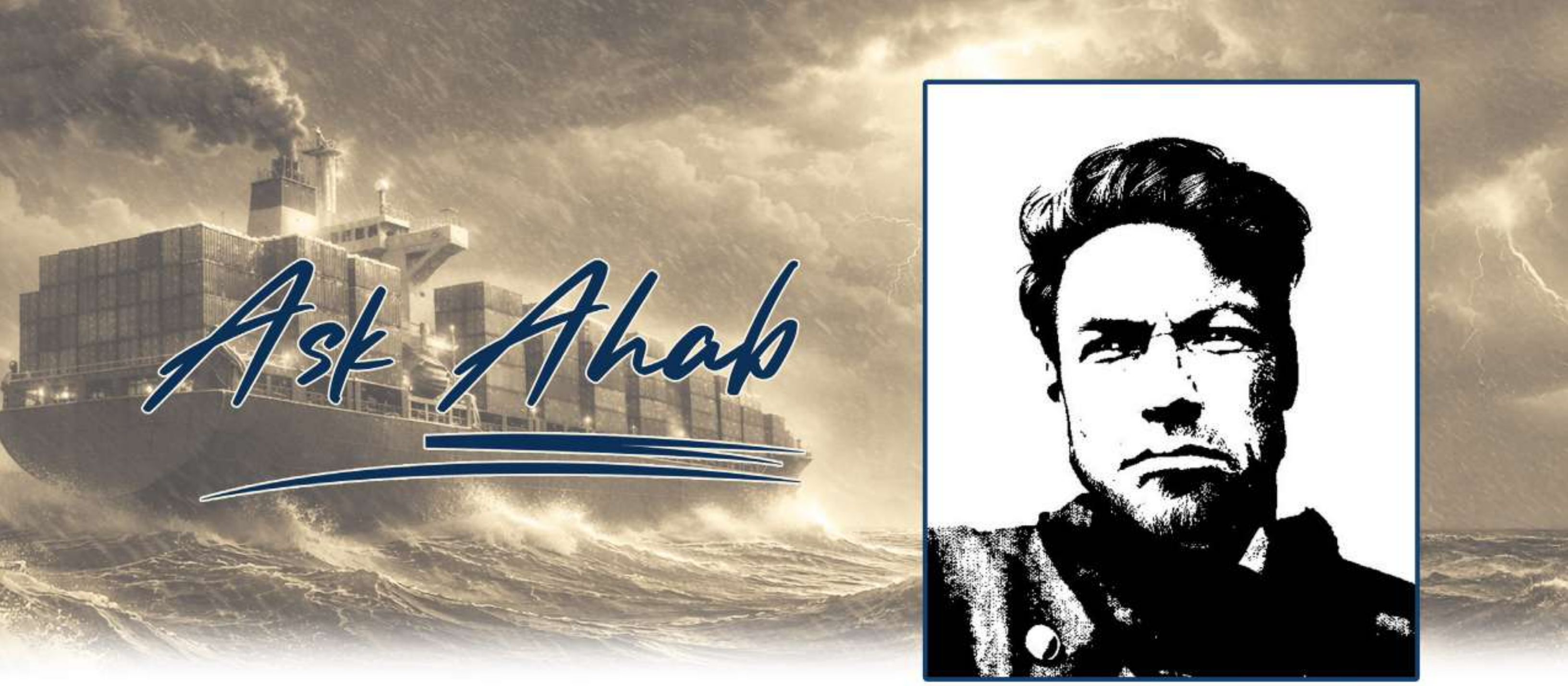
Let's not forget the ongoing threat posed by the Houthis, which is a problem in remission, not one that has been resolved. If they resume their attacks on container vessels, shipping through the Suez Canal would come to a complete stop. This would add weeks to transit times and push transportation costs even higher.

Needless to say, planning resilience into your supply chain can no longer be ignored or deferred. Instead, shippers need to work with a qualified logistics expert who can identify alternate routing options, such as air freight routes or overland corridors, to avoid being at the mercy of a geopolitical event that prevents the movement of goods. In the end, heavy dependence on a single region, port, or trade lane is a structural vulnerability.

It may not matter in benign conditions, but it becomes acutely visible when geopolitical risk intensifies and options narrow.

Geopolitical conflict does not disrupt all supply chains equally, but it can reveal whether a supply chain is resilient. Companies that planned well and now have supply chains featuring diversified sourcing, flexible routing agreements, and strong carrier relationships will continue to move cargo without the operational paralysis afflicting those that did not plan ahead.

In this game of survival of the fittest, supply chains designed around the assumption of stability will continue to underperform, while those that account for volatility and plan around it will continue to thrive.



Dear Ahab:

With the Supreme Court invalidating the IEEPA tariffs, do you think I will receive a refund, and when do you think one would be issued?

– Customs Curious

Dear Customs Curious:

It appears likely that you will receive a refund, however, the timing remains uncertain. Recently, the U.S. Court of International Trade ordered U.S. Customs and Border Protection (CBP) to refund duties collected under the IEEPA. That said, there is currently no formal process in place to distribute those refunds.

CBP has indicated that it is working to establish a refund mechanism and hopes to have a system operational by the end of April. While no firm timeline has been announced, importers should begin preparing now.

If you have not already done so, I strongly recommend establishing an ACH refund account with CBP, as this is the method through which refunds will be issued. Instructions for setting up an ACH refund account can be found here.

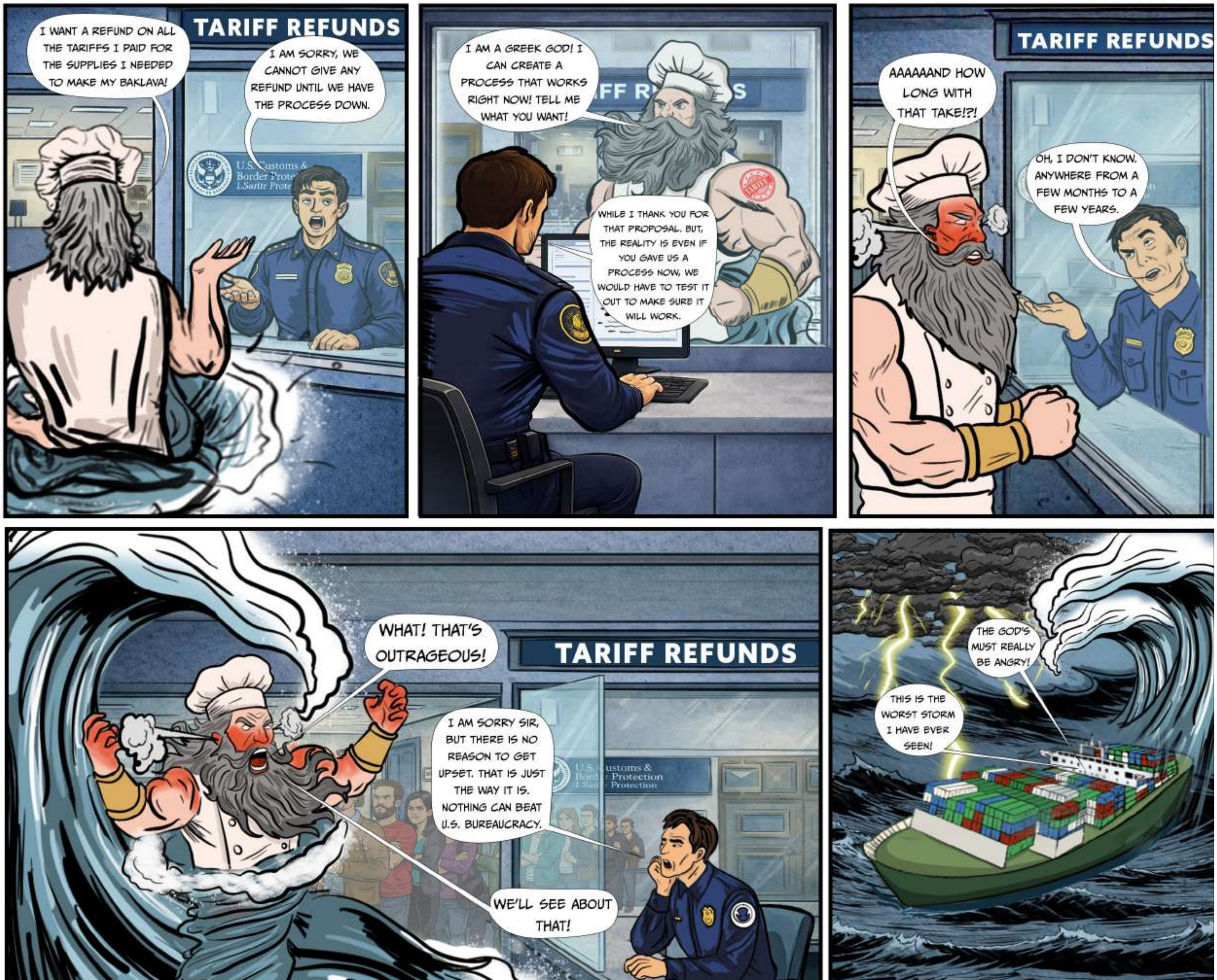
What should shippers expect from this year's contract season, and what approach should they take?

– Looking For An Edge

Dear Looking For An Edge:

This year's contract season offers continued uncertainty as carriers continue to grapple with trade policies and geopolitics. As a result, it is difficult to predict what fixed rates carriers will offer – if they offer them at all. This uncertainty has created an elevated level of market volatility as carriers continue to look for ways to recover market losses from the past six months.

Given these conditions, shippers are best served by remaining flexible and partnering with a logistics provider that is willing to adapt to changing market dynamics. An adaptable strategy can help reduce risk, keep the supply chain agile, and allow shippers to respond quickly to disruptions or sudden capacity shifts. Most importantly, flexibility can help shippers better manage and control costs in an unpredictable and volatile environment.


TARIFF REFUNDS
I WANT A REFUND ON ALL THE TARIFFS I PAID FOR THE SUPPLIES I NEEDED TO MAKE MY BAKLAVA!
I AM SORRY, WE CANNOT GIVE ANY REFUND UNTIL WE HAVE THE PROCESS DOWN.
I AM A GREEK GOD! I CAN CREATE A PROCESS THAT WORKS RIGHT NOW! TELL ME WHAT YOU WANT!
WHILE I THANK YOU FOR THAT PROPOSAL. BUT, THE REALITY IS EVEN IF YOU GAVE US A PROCESS NOW, WE WOULD HAVE TO TEST IT OUT TO MAKE SURE IT WILL WORK.
TARIFF REFUNDS
AAAAAAND HOW LONG WITH THAT TAKE!?!
OH, I DON'T KNOW. ANYWHERE FROM A FEW MONTHS TO A FEW YEARS.
WHAT! THAT'S OUTRAGEOUS!
TARIFF REFUNDS
I AM SORRY SIR, BUT THERE IS NO REASON TO GET UPSET. THAT IS JUST THE WAY IT IS. NOTHING CAN BEAT U.S. BUREAUCRACY.
WE'LL SEE ABOUT THAT!
THE GOD'S MUST REALLY BE ANGRY!
THIS IS THE WORST STORM I HAVE EVER SEEN!
THEY DON'T KNOW THE HALF OF IT!
CALM DOWN, POSEIDON! I HAVE AN IDEA ON HOW TO QUICKLY GET YOUR REFUND.

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Fun Facts About
COLLEGE BASKETBALL'S MARCH MADNESS

The odds of picking a perfect March Madness bracket are 1 in 9,223,372,036,854,775,808.

No one has ever picked a perfect March Madness bracket.

During March Madness corporations lose roughly $1.9 billion per hour due to poor productivity while the games are being played.

Ohio is the Only State to Have Two Teams Play in the NCAA Championship Game.

No #5 seed has never won the NCAA Tournament.

Villanova was the lowest seed (#8) to ever win the NCAA Tournament.

UCLA holds the record for most championships with 11.

The first NCAA Tournament was held in 1939, and it only featured eight teams.

Word Wheel

OEC GROUP

Directions:

Insert the missing letter to complete the nine-letter word reading either clockwise or counterclockwise.

ABOUT

ISSUE 93

As an industry pioneer, OEC Group has become one of the world's leading logistics companies. We leverage in-house expertise, carrier partnerships, connections with ports and transportation hubs, and our network of offices in North America, Europe, Asia, India, South America, Australia, and the Middle East, to provide freight transportation, logistics, information, customs and brokerage, insurance, and technical services to over 50,000 customers of various sizes and industries.

We are also highly sought after for the advice we give shippers on how to optimally manage their supply chains. The guidance we provide is based on data analytics, best practices, and decades of industry knowledge.

We believe that relationships matter and treat your cargo as our own. Our experts are always investing in efficient, cost-effective, and cutting-edge services to evolve with the ever-changing market, address the complexities of any client's supply chain, and consistently perform at the highest level for our customers.

Our business is making our logistics expertise, your competitive advantage.

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