

For a Small Pennsylvania Company, Department of Commerce Program Helps Guarantee an International Sale

When Chinese customs officials impounded U.S. products destined for reexport to Australia, the International Trade Administration made sure that China honored commitments it had made under international trade agreements, thereby ensuring that a Pennsylvania-based company's business was not jeopardized by the improper application of regulatory standards.

BY STEVE WILLIAMS



Refrigerated container units produced by Klinge Corp., such as this one at the company's facility in York, Pennsylvania, were shipped to China for reexport to Australia. Regulatory issues posed by Chinese authorities held up the process, but they were successfully resolved with help from the International Trade Administration. (photo courtesy Klinge Corp.)

Trade barriers are costly. They diminish the bottom lines of U.S. exporters, bring potential job losses, and, overall, negatively affect the efficient operation of the global supply chain. Examples can include overly restrictive and inconsistently applied technical standards, unnecessary delays because of unclear customs procedures, or weak enforcement of other international trading rules.

One small U.S. exporter, Klinge Corp. of York, Pennsylvania, recently found itself hamstrung by such barriers as it sought to export industrial equipment manufactured in the United States from China to Australia. With the assistance of a team of experts from the International Trade Administration's

Trade Agreements Compliance Program, the company was successful in overcoming a series of overly restrictive regulatory obstacles posed by Chinese customs and, ultimately, in shipping its products to Australia.

Specialty Manufacturer

Klinge Corp., founded in 1984, is a leading U.S. supplier of specialized refrigeration containers and generators. More than 85 percent of the company's business is with buyers outside the United States.

One such buyer was the Australian government, which, in 2007, signed an agreement with Klinge Corp. worth \$8.5 million for 185 refrigerated, self-powered military container systems and 1,500 collapsible food storage bins for the Australian Defence Force. The refrigeration units and generator sets, as well as other technical components, were to be manufactured at the company's U.S. facility; shipped to Qingdao, China, for mounting on 10- and 20-foot shipping containers; and then reexported to Australia. Final delivery was slated for March 2011.

Seizure and Impoundment

Unfortunately, in the midst of fulfilling this contract, Klinge Corp. ran into problems with Chinese customs officials, who impounded a key paint component by claiming it failed to meet Chinese certification requirements. In addition, Chinese officials determined that Klinge Corp.'s refrigerator and generator units failed to meet China's Compulsory Certification (CCC) requirements, even though these components were exempt from the CCC requirements (and had been for many years).

"These particular Chinese customs officials evidently had taken an inordinately broad view of the [CCC certification] requirements," notes Bryan O'Byrne, a senior international trade specialist at ITA who worked on the issue. "The application of the CCC requirements appeared rather arbitrary and, thus,

“ The [Commerce Department] team was instrumental ... in helping us avoid long customs delays. ”

—Henrik Klinge
President, Klinge Corp.

raised potential questions under the World Trade Organization’s Agreement on Technical Barriers to Trade, which requires that such product certifications not create unnecessary obstacles to trade.”

Pressing the Case

In July 2010, after a series of initially unproductive meetings with Chinese freight forwarders and customs officers, Klinge Corp. submitted a description of the problems it was facing to ITA using the agency’s online “Report a Trade Barrier” service (see sidebar). In response, representatives of Klinge Corp. were invited to join other U.S. industry representatives to participate in an ITA-sponsored roundtable with Chinese trade officials in Ningbo, China, on August 27, 2010.

At the meeting, Henrik Klinge, Klinge Corp.’s founder and president, raised the issue of the problems his company was encountering. O’Byrne subsequently facilitated a meeting between Klinge and senior officials of the China Certification and Accreditation Administration (CNCA) to discuss the issues that Klinge Corp. was facing at customs. The ITA team also pursued the issue with Chinese officials, emphasizing China’s obligations to adhere to its World Trade Organization commitments.

Successful Resolution

By fall 2010, a resolution to Klinge Corp.’s problems was in sight. In September, CNCA officials helped the company obtain the necessary certifications for the paint components. In December, Chinese customs officials verified exemptions to the CCC certification requirements for the refrigerators and generators, thus resolving the final obstacle to reexporting. By February 2011, Klinge Corp. reported that it had fulfilled nearly half of its total \$8.5 million contract with Australia.

“The roundtable in Ningbo provided an excellent venue for Klinge [Corp.] to voice its concerns directly

with officials from various related Chinese government agencies,” notes Klinge. “The [Commerce Department] team was instrumental ... in helping us avoid long customs delays.”

Craig Allen, ITA’s deputy assistant secretary for Asia, adds, “This case is a concrete example of how our program supports President Obama’s National Export Initiative: it touches real people and supports U.S. jobs.”

Steve Williams is a team leader for operations in the International Trade Administration’s Market Access and Compliance unit. Bryan O’Byrne, senior international trade specialist in ITA’s Trade Compliance Center, collaborated in the writing of this report.

IS YOUR COMPANY FACING A TRADE BARRIER?

The Trade Agreements Compliance Program, led by the International Trade Administration’s Market Access and Compliance unit, helps U.S. companies identify and overcome foreign government trade barriers, such as standards, customs, and intellectual property rights. For more information about the program, and for guidance on how to report a trade barrier, visit the program’s Web site, www.trade.gov/tcc, or contact the Trade Compliance Center, tel.: (202) 482-1191; e-mail: tcc@trade.gov.