

# THE SHIPPING STANDARD

OUR EXPERTISE YOUR ADVANTAGE

CALLING ALL PROBLEM SOLVERS:  
HOW ART MAJORS CAN SOLVE AN  
INDUSTRY-WIDE PROBLEM

---

ASK AHAB

---

COMIC STRIP

I AM KAI

---

EMERALDS STRIKE STRIKE

FUN FACTS

---

ABOUT  
OEC GROUP





# CALLING ALL PROBLEM SOLVERS: HOW ART MAJORS CAN SOLVE AN INDUSTRY-WIDE PROBLEM

The pandemic taught us just how sophisticated the global supply chain has become, and that it takes a special kind of person to manage its intricacies and solve all the unpredictable problems that arise.

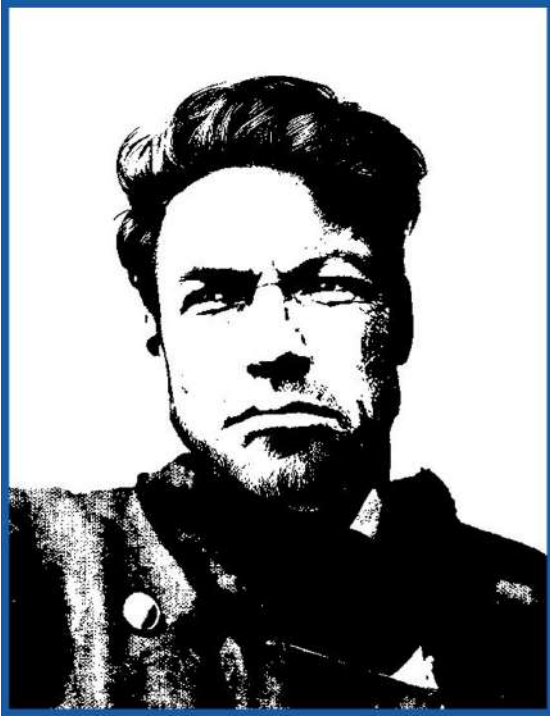
In the past, the industry tended to entrust these responsibilities to people with analytical backgrounds; people trained to look at data, make interpretations, and act on the information presented. While those people are still critical to the supply chain, the industry has begun to realize the need to hire more creatives, like art majors, who can recognize patterns and solve problems by making connections that are not always that obvious. The supply chain has become more sophisticated, and the complex problems it presents require a different skill set.

*“The industry has become more dynamic, and both carriers and forwarders have realized that a different skill set needs to be added to the industry in order to better serve our customers’ needs,” Anthony Fullbrook, President of OEC Group’s North American Region, said. “We need creative thinkers and problem solvers who can proactively look beyond the information that is being presented. Adding those creatives will create a more resilient supply chain that can benefit everyone in the shipping industry.”*

While it might seem like an easy fix for shippers to go out into the world and hire the top-performing students at the best schools in the country, the “easy fix” has its own challenges baked in. The pandemic cut into millions of students’ education, reducing their knowledge and skills in areas including language and math. That interruption also widened the gaps between highest- and lowest-scoring students, with lowest-scoring students seeing five times the decrease in their reading scores that high-performing students saw, and four times the decrease in math scores. This steeply increasing divide leaves industry executives in a bind: Not everyone can hire the top students in the class.

While higher education gets more expensive by the year, Americans have also been having fewer children since the 2008 financial crisis. That trend hasn’t reversed in the 16 years post-recession, and experts say it will cause an “enrollment cliff,” a phenomenon where class sizes and university enrollments plummet, making it even harder to find and retain quality talent.

*“Attracting and retaining top tier talent is critical for the industry’s success. In order to attract and retain top talent companies will need to pay higher wages and provide competitive benefits,” said Steve Myers, COO of OEC Group’s North American Region. “Shippers need to understand that having quality problem solvers in the industry that can handle their cargo and ensure it gets delivered on-time comes at a cost. Paying those increased costs to make sure the supply chain runs smoothly is a necessary investment that benefits everyone.”*



## ASK AHAB

---

*This month our resident advice columnist answers questions about tariffs and nearshoring.*

**Q: Dear Ahab, I've been reading a lot about "nearshoring" in the news lately. As someone who imports most of their products from China, should I be looking to try and move some of my manufacturing base from China to somewhere closer to the United States? – Otto Opportunist.**

A: -Hi Otto, the answer is complicated, but it really depends on what you're importing. While tariffs are steeper on imports from China than from anywhere else – and the Biden administration has floated the idea of increasing some of them, including the tariff on steel and electric vehicles – you'll blow some of your tariff savings on shipping costs. Mexico, for example, has a growing cross-border trucking industry, but that trucking is still a few thousand dollars more expensive on average, per-shipment, than sea shipping from China. Ultimately, there are many factors, other than cost, that should go into your decision.

However, when it comes to cost, it all depends how much each container of your cargo worth. If one container of it is worth \$100,000, the difference between a 25% tariff and a 7.5% tariff is vastly significant. However, if the cost per container is \$15,000 then you'd be better off just paying the tariff and keeping your base in China. It all depends on your situation.

**Q: Dear Ahab, I'm getting run ragged by tariffs on imports from China, but I don't think I can move all of my operations out of the country and into a new place, such as Mexico or Indonesia. Could I theoretically open a manufacturing operation in one of those countries and assemble products there to avoid tariffs? Patti Problem-Solver.**

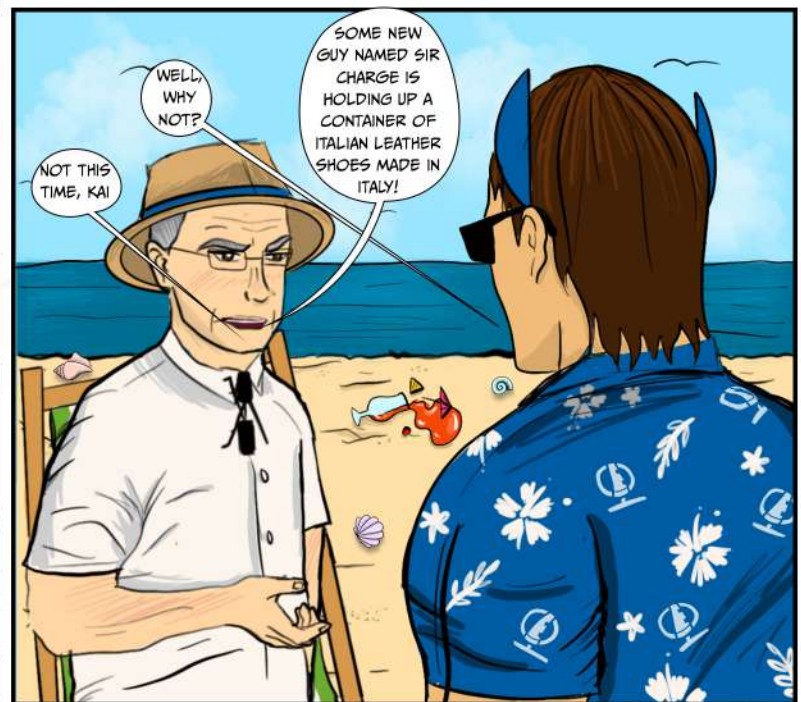
A: -Well, Patti, this one is really a question of where your parts come from. U.S. Customs & Border Patrol typically requires a certain percentage of parts & labor that went into making a product to be from the country listed as the country of origin, and it's on you to prove that percentage. So, let's say you open a garment manufacturing facility in Mexico using fabric you import from China. In the eyes of U.S. Customs, it doesn't matter if your garment manufacturing facility cuts, sews, embroiders, irons, folds and packages those garments in Mexico, because the fabric is from China.

Now, there are 97 chapters in the U.S. Harmonized Tariff Schedule, and all of them are full of loopholes, so the best advice I can offer would be to work with your customs brokerage advisor and figure out a manufacturing and shipping plan that makes sense for your business.

**Q: Dear Ahab, I was considering trying to nearshore my business, but I just don't see the point if it's going to be so much more expensive to ship products by truck from Mexico than by boat from China. Why do I see so many companies doing this if they're going to pay more in shipping? – Color me Confused.**

A: -Well, CMC, there are three reasons. First off, the tariffs on imports from Mexico are less steep than the tariffs on imports from China. Second, a lot of American companies remember how slow business was during the pandemic, when the Chinese manufacturing and supply chain was operating at a limited capacity, and the companies realize they need multiple sources for products as a sort of insurance policy in case another hundred-year event like COVID happens. The third factor is the tense trade relationship between the U.S. and China, which escalated with the introduction of Trump-administration tariffs.

The Biden administration increased some tariffs in May, and tariffs on Chinese imports already generated between \$70 million and \$80 billion annually. When Biden first took office he talked about rolling back those tariffs, so the fact that he reversed course seems to indicate that importing from China is going to get more expensive regardless of who wins the presidency in November, forcing companies to reconsider their options. In anticipation of that increase in tariffs, some companies, like Apple, determined that moving some manufacturing out of China made sense. While it depends on your circumstance and what you can afford, I think it is clear that the U.S. government is highly encouraging companies of all sizes to diversify their manufacturing to other parts of the globe.



## Fun Facts About Emeralds



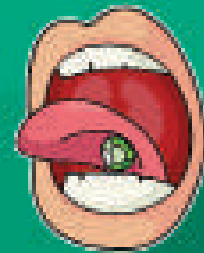
Ancient Egyptians mined the first known emeralds.



The emerald was Cleopatra's favorite gemstone.



Half of all the world's emeralds come from Colombia.



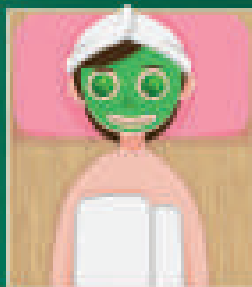
Ancients believed that it was possible to see the future by putting an emerald under their tongue.



Emeralds were thought to guard against memory loss and enhance intuition.



The Romans believed that emeralds could cure infertility and complications during birth.



Ancient Egyptians believed that emeralds could relieve eyestrain, something that is still believed to this day.



The oldest emeralds are about 3-billion-years-old.



# ABOUT OEC GROUP

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.*