TRADE NEWS WEEKLY

November 16–November 20, 2020

A summary of international business news prepared by the Hawaii Foreign-Trade Zone 9 with the collaboration of the Research and Economic Analysis Division of the Department of Business, Economic Development & Tourism, and based on research and shipment data from Panjiva, Inc. which tracks companies involved in global trade. Other news sources may occasionally be included where indicated.

Canada Section 232 Tariffs Removed

President Trump issued a proclamation on October 27 that ended the Section 232 tariffs on aluminum from Canada. The duty-free treatment is retroactive to September 1. Importers may file Post Summary Corrections (PSCs) to correct entries filed from September 1 through October 27.
Source: Miller & Company, P.C.

Vietnamese Tires/Currency

The Commerce Department has issued preliminary countervailing duties of 6.23% to 10.08% on imported light vehicle tires from Vietnam based on undervalued Vietnamese currency. A final determination is due by April 30, 2021.
Source: Miller & Company, P.C.

Small Engines AD/CVD

The Commerce Department has set new antidumping cash deposit requirements for imports of certain vertical shaft engines from China after a preliminary determination in its AD and CVD investigations. The changes took effect October 21, but with AD duty cash deposits retroactive to July 23 for some Chinese firms. The AD rate ranges up to 541.75%. A final ruling will be issued within 120 days of publication. 85 Fed. Reg. 66932 (Oct. 21, 2020).
Source: Miller & Company, P.C.

Face Masks Origin

CBP has ruled that face masks made in Ethiopia from fabric and other materials sourced from Thailand are products of Thailand and, consequently, not eligible for preferential treatment under the African Growth and Opportunity Act (AGOA). HQ H313043 (Oct. 22, 2020). ***Source: Miller & Company, P.C.***

Thailand GSP Restrictions

Thailand was the top GSP beneficiary in 2019, but approximately two-thirds of Thai products have been removed from GSP in 2020 over a dispute involving market access for U.S. pork products. The USTR has released a full list of products and its rationale for restricting access to GSP benefits. The most affected Thai products are certain auto parts, plastic glasses frames, chemicals, and latex mattresses. The changes go into effect on December 30, 2020. 85 Fed. Reg. 70027 (Nov. 4, 2020).
Source: Miller & Company, P.C.

E-Commerce Guides

CBP has released an e-Commerce Counterfeit Awareness Guide to help importers comply with import laws and provide genuine products for their customers. It has also released an e-Commerce Counterfeit Awareness Guide to help consumers understand their online shopping responsibilities.

https://www.cbp.gov/document/guidance/e-commerce-price-importing-counterfeit-goods

Source: Miller & Company, P.C.

301 Product Exclusions

By December 31, 2020, five hundred and fifteen (515) China Section 301 Lists 1, 2, 3, and 4A product exclusions will expire. These 515 product exclusions represent 96.4% of the China Section 301 product exclusions in effect. The U.S. Trade Representative (USTR) has not outlined a process for extending these product exclusions. A small number of List 1 product exclusions will remain in effect until March 25, or April 18, 2021.

Source: Miller & Company, P.C.

Chinese Securities

On November 12, President Trump issued an Executive Order prohibiting U.S. persons from holding securities in Chinese companies that support the Chinese military. The new rules go into effect on January 11, 2021. More details are still to be issued.

Source: Miller & Company, P.C.

Hong Kong Sanctions

On November 9, the State Department sanctioned four Chinese and Hong Kong officials involved in implementing Beijing's so-called national security law. These individuals will be barred from travelling to the U.S. and their assets within U.S. jurisdiction or in the possession or control of U.S. persons will be blocked.

Source: Miller & Company, P.C.

Amazon Replaces DB Schenker as Maersk, MSC Lead Liner Pack in October

The container shipping industry is in the midst of a continuing surge in traffic as global supply chains recover from COVID-19 related industrial lockdowns. U.S. seaborne imports of containerized freight jumped 16.8% year over year in October to reach a record high. Rapidly rising shipping rates, surcharges and instances of equipment shortages are stressing supply chains.

All the top 10 container lines on U.S.-inbound, seaborne routes experienced an expansion in October, led by MSC and Maersk's growth of 43.5% and 25.8%, respectively. ONE is behind the pace with growth of just 11.3% and the firm has cautioned that the continued spread of COVID-19 means "cargo demand and short-term freight market continues to remain uncertain."

There are also disruptions being caused by competitive dynamics. Maersk's decision to integrate its forwarding and container shipping operations has led DB Schenker to withdraw its business from Maersk. Container handling by Maersk for DB Schenker had already fallen by 69.4% year over year in October, replaced largely by a 160.2% jump in handling for Amazon's freight forwarding operations.

Long Beach Boom Brings Congestion, Surcharges and Shortages

The ports of Los Angeles and Long Beach are facing significant congestion issues due to the surge in traffic caused by post-lockdown industrial and commercial demand. Hapag-Lloyd has applied surcharges for trucking out of Long Beach after the port reported a 17.2% year over year rise in traffic in October.

The challenges are widespread, shown by multimodal carloads handled by Union Pacific which climbed by 10.8% for containers and 23.7% for trailers in the four weeks to November 11. Empty container handling at Long Beach has also soared as container lines prioritize returns to Asia over less timely U.S. exports.

Total U.S. seaborne imports climbed 16.9% year over year in October, with shipments into LA and Long Beach, combined, up by 25.6%.

New York has seen a similar surge of 25.2%, likely reflecting a faster recovery from the effect of blank sailings than other east coast ports. Not all ports have seen growth, with shipments into New Orleans down by 23.5% due to a heavier-than-normal hurricane season.

LARGE PORTS LEAD GROWTH IN OCTOBER

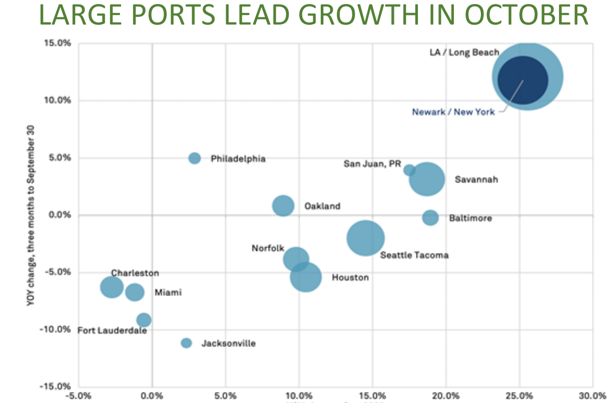

Chart segments U.S. seaborne imports by port of unlading. Bubble size indicates handling in Q3, colors for emphasis only. Source: Panjiva

Maersk, ONE Lead South Korea Shipping Boom, HMM Shifts Focus

Rising container shipping rates and surcharges are starting to draw the attention of governments that are concerned about the impact on exporters. The South Korean government is the latest, calling on the nine major liners to add capacity to Transpacific routes.

U.S. seaborne imports from South Korea jumped 21.0% higher in October compared to a year earlier. The expansion has been led by increased shipments handled by Maersk and Ocean Network Express with growth of 72.4% and 54.4%, respectively.

South Korean domiciled liners HMM and SM Line actually reduced volumes by 16.1% and 70.0%, respectively; the former likely due to service rearrangements within the THE Alliance group.

The jump in traffic to the U.S. from South Korea has been driven by consumer goods suppliers, LG Electronics and Samsung Electronics, with growth of 149.4% and 19.4% as the two work to meet surging demand from U.S. retailers.

Phillips 66, Marathon Cut Imports as Hurricanes, Pandemic Roil Oil Shipping

The west-Atlantic hurricane season has had the worst impact on the offshore oil industry in at least 10 years with 40.9 million barrels of lost capacity compared to 9.3 million barrels in 2019. Demand for refined oil in the U.S. has been falling during the pandemic.

U.S. seaborne imports of crude oil have also been in decline with a 36.4% year over year slide in October. Shipments linked to Phillips 66 dropped by 82.6% while Marathon's fell by 16.9%. Others have increased imports with Valero and Saudi Refining up by 55.2% and 99.3%, respectively.

Phase 1 Delivery of Soybean Delivery to China Shows Progress

Tracking progress of USDA data for soybean exports to China can provide an early indication on progress in the agricultural segment of the Phase 1 trade deal. U.S. soybean exports to China are holding steady at around 2 million tons per week as of November 4, equivalent to 24.3% above the level seen in the 2017 farm year.

Notably though, exports in the most recent data (week 45 to November 4) were 2.088 million tons, which was the same as the equivalent week in 2017. That may suggest the purchase rate is slowing down with only 4 weeks before the traditional seasonal decline in exports after the completion of the harvest.

It remains to be seen whether the Trump administration will keep pressure on China only via financial sanctions, or whether a scorched-earth policy of abandoning the Phase 1 trade deal - using purchasing levels below commitment as a reason - will be followed.

LG Chem, Samsung SDI Face Fire Recalls as Battery Supplies Charge Ahead

General Motors has recalled its Chevrolet Bolt electric vehicle after a series of battery fires linked to packs reportedly made by LG Chem in South Korea.

Data shows that U.S. seaborne imports linked to LG Chem surged 103% higher year over year in the 12 months October 31, though the recall covers models produced in 2017 – 2019. There's been a cut back recently in LG Chem's shipments from China which may reflect Hyundai's recall of its Kona vehicle.

TESLA GIGAFACTORY REMOVES PANASONIC FROM BATTERY BOOM

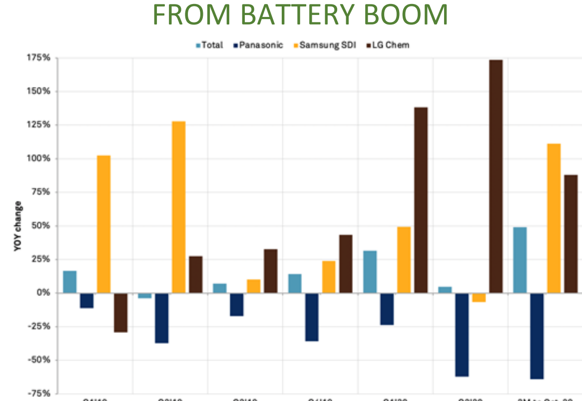

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Chart segments U.S. seaborne imports of lithium ion batteries by shipper. Source: Panjiva

Total U.S. seaborne import of lithium ion batteries climbed 49.0% higher in the three months to October 31. Aside from LG Chem, there was a 111% rise in shipments linked to Samsung SDI, which supplies BMW and Ford, where there have also been recalls. By contrast, Panasonic's shipments dropped 64.2% as Tesla brings its production of batteries in-house.

Workers, Environment Take Lead in Biden's Latest Trade Policy Position

President-elect Biden has held a speech outlining his administration's economic priorities. Perhaps unsurprisingly, the focus was on restarting the economy and tackling the COVID-19 pandemic.

The President-elect reiterated themes from the campaign stating that, "from autos to our stockpiles, we're going to buy American. No government contract will be given to companies that don't make their products here in America." The latter will be particularly important in the case of medical supplies.

On trade deals, Biden noted that in talks with heads of state in the CPTPP and RCEP groups that the U.S. priorities will be: "invest in American workers and make them more competitive;" "make sure that labor is at the table and environmentalists are at the table;" assuring that the U.S. is "not looking for punitive trade" with friendly states; and that he wants the U.S. to "set the rules of the road, instead of having China and others dictate outcomes."

Those comments confirm the likelihood that: a tough stance will be maintained with China; improved trade relations with the EU, possibly including reduced metals and aerospace tariffs, will be on the agenda and; rejoining multilateral deals like CPTPP is possible. None are likely to be day-one priorities, however, leaving some policy uncertainties for supply chains in the first half of 2021.

U.S. Retail Sales Grows; Amazon Forwarding Shows Homeware Surge

U.S. retail sales growth, excluding autos, slowed to 6.9% year over year in October from 8.3% in September, raising doubts about whether retailers' hopes for an earlier-than-normal peak shopping season have actually taken place.

A moderate recovery raises the stakes for holiday shopping given the recent surge in consumer goods imports to the U.S. Seaborne imports of consumer electronics and household appliances jumped 21.1% and 71.6% higher year over year in October, while sales by electrical stores declined by 3.3%. The situation in furniture is even more extreme.

That raises the concern of significant inventory over-build in the retail industry. Non-store / e-commerce retail may have taken up some of the slack with retail sales that rose by 26.3% in October.

Amazon's freight forwarding services provide something of a proxy for activity, though it only covers China-based, marketplace retailers. Total imports handled by the firm climbed 77.8% higher in October, with consumer electronics and home appliance shipments surging 84.7% and 74.3% higher, respectively.

HOMEWARES LEAD GROWTH IN AMAZON'S FREIGHT FORWARDING OPERATIONS

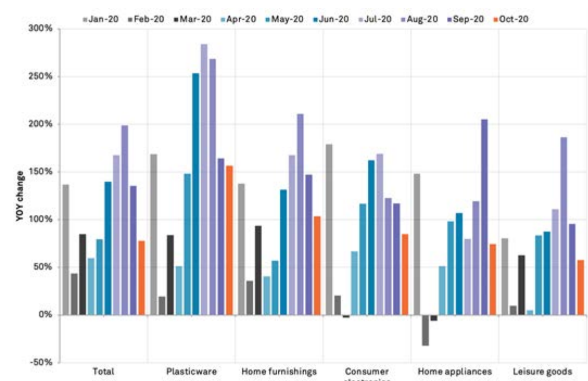

Chart segments U.S. seaborne imports handled by Amazon by sector. Source: Panjiva