

# TRADE NEWS WEEKLY

April 26–April 30, 2021

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.

## China Section 301, List 3 Product Exclusions Technical Amendment

On April 26, 2021, the U.S. Trade Representative (USTR) published a notice in the Federal Register correcting a very narrow technical issue affecting certain merchandise covered by certain China Section 301, List 3 product exclusions.

As background, on September 24, 2018, the USTR imposed a 10% duty on China-origin merchandise provided on List 3. On May 10, 2019, this 10% duty was increased to 25%, but certain List 3 merchandise exported from China before May 10, 2019, and entered into the United States before June 15, 2019, remained subject to the lower 10% duty. To differentiate between merchandise exported and entered within this period and subject to the lower 10% duty rate, the USTR created a unique HTSUS subheading 9903.88.09 classification for this merchandise. However, when issuing the various rounds of China Section 301, List 3 product exclusions between August 2019 and May 2020, the USTR failed to provide for merchandise subject to the lower 10% duty rate under HTSUS subheading 9903.88.09.

The USTR notice corrects this issue by clarifying that merchandise covered by a China Section 301, List 3 product exclusion is not subject to China Section 301, List 3 duties if it was exported before May 15, 2019, and entered before June 15, 2019, under HTSUS subheading 9903.88.09.

**Source: Miller & Company PC**

## President Biden's Plan - Onshoring, Vaccines and Taxes, But No Big Trade Deals

Biden's first 100 days in office have set the stage for the remainder of his term in office, with policy support for supply chain adaptations such as onshoring and decarbonization rather than wide ranging trade deals.

Trade policy itself has been relatively static with the U.S. Trade Representative and Commerce Department very much in review mode. Most tariff plans have been left in place, including those on imports from China and the related Phase 1 trade deal.

The latter has yet to be reviewed under the formal six-monthly process and lapses at the end of 2021. So far, exports under the deal reached \$9.17 billion in March, compared to a 2020 target of \$11.9 billion, and a 2021 target of \$14.8 billion.

The signing of significant new trade deals looks unlikely, particularly with Trade Promotion Authority set to lapse in July. Lower key deals, such as that with the U.K. on aerospace subsidies, may be possible. That would also help hard-pressed U.K. exporters whose shipments of products covered by retaliatory tariffs to the U.S. fell 14.0% lower year over year in February.

Multilateral engagement is very much on the agenda though. New commitments on climate change have been made, bringing opportunities for renewable energy and autos supply chains,



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as well as risks for the logistics and metals sectors.

New taxes on carbon, including border adjustable measures, as well as a resolution on digital services taxes may all yet be implemented by the Biden Administration during the rest of its term in office.

### Apple’s M1 Route May Swerve Shortages as PC Demand Stays High

Apple’s new iPad and iMac ranges are adopting the same M1 processor, which could simplify the firm’s supply chain. Control over all aspects of its machines and software may also have helped Apple avoid the semiconductor challenges that laptop makers, including AsusTek, have flagged.

The shortage of semiconductors could continue "for at least the next 12 months" according to S&P Global Ratings. As a result, prices in the electronics supply chain are likely to rise. The shortage reflects a surge in demand as much as limits on supplies.

The latter appears healthy with exports of semiconductors from China, Japan, Taiwan and South Korea having increased by 20.7% year over year in March and by 31.4% compared to March 2019.

Demand for laptop computers remains strong, with U.S. imports in February up by 167.4% year over year and by 68.3% versus 2019 to levels normally seen later in the year.

#### DELL, ACER LEAD LAPTOP IMPORT EXPANSION IN 2021

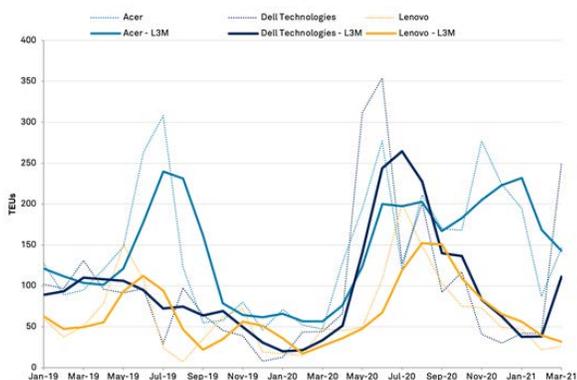


Chart segments U.S. seaborne imports of laptop computers by consignee on a monthly and three-month average basis. Source: Panjiva

U.S. seaborne imports of laptop computers continued to grow with a 130% year over year rise in March and a 53.1% increase in Q1'21 overall. The Q1'21 expansion included a 232% surge in shipments linked to Dell and a 152% jump in those linked to Acer.

### Global Export Recovery Acceleration Proves Elusive

Global trade activity volumes improved by 5.2% year over year according to CPB data. This was similar to the 5.4% rise in activity seen in February. Within the figures though, export growth slowed to 5.2% from 6.8% a month earlier with exports from advanced economies dipping 0.5% lower, led by reduced exports from the U.S. and the Euro area while the expansion was dominated by China.

The weak export performance from the U.S. and Europe reflected, in part, challenges for the automotive and aerospace industries and the results of Brexit, respectively. Preliminary data for March suggests the Asian export recovery is continuing, led by improved demand for consumer goods in the U.S.

### Suez, Congestion and Rising Fuel Costs May Be Driving Rate Rise

Container shipping rates for routes out of China partly reversed their ongoing decline last week with a 2.7% improvement, led by Europe bound rates which rose by 3.5%, while routes to South America increased by 5.5%.

The disruptions caused by the Suez Canal blockage and associated out-of-position vessel and container effects may be driving the European route improvement and may prove temporary.

The increase in South America routes may reflect port congestion caused by the knock-on effect of congestion being faced at U.S. west coast ports.



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Rising rates may also be being supported by continued increases in bunker fuel costs which rose by 11.2% on the week, potentially reflecting rising oil prices and more selective purchasing in the wake of dirty fuel concerns.

### TE Connectivity Reconnects with China as Supply Chain Pressures Continue

Industrial sensor and connector manufacturer, TE Connectivity, reported FQ2'21 (to March 31) revenue growth of 17.0% year over year as the firm's supply chain "is catching up to the increased level of demand we are seeing in many of our end markets," according to CFO, Heath Mitts. Challenges are likely to continue though from "higher freight charges and other supply chain pressures in the quarter, and these will continue into the third quarter," Mr. Mitts also noted.

In the three months to February 28, U.S. seaborne imports and Mexican exports to the U.S. combined were unchanged compared to a year earlier. Seaborne imports shifted with imports from China up by 30.0% year over year in Q1'21 while those from Asia ex-China and from Europe were down by 11.5% and 23.3% year over year, respectively.

### Ford Keeps the Brakes On as Semiconductor Shortage Continues

Ford Motor has reportedly had to extend production halts at five plants for around two weeks due to the ongoing shortage of semiconductors for key modules. That may have a knock-on effect to the rest of the firm's supply chain.

So far, shipments from factories in Europe to the U.S. have not been affected, with total U.S. seaborne imports linked to the firm up by 67.8% year over year in March, and rising by 39.2% compared to March 2019. Ford's Mexican parts exports, meanwhile, have already fallen significantly with a 53.5% drop in February, led by an 81.1% slide in shipments of gearboxes and a 54.3% drop in engines.

### Top Glove Pumps Up Shipments Ahead of Forced Labor Block Removal

Rubber glove maker, Top Glove, has stated that an independent review shows issues linking it to forced labor accusations have been resolved. The firm will be hoping to overturn the U.S. government's Withhold Release Order on its imports linked to the accusation.

U.S. seaborne imports linked to the firm rose by 21.1% in March versus the prior three months' average. Shipments linked to the firm from Malaysia, which had been subject to the order, were 6.1x those from Thailand.

Total U.S. seaborne imports of rubber gloves grew by 45.4% sequentially in March, with higher imports by Hartalega and Sri Trang as well as Top Glove.

#### RAPID INFLATION IN RUBBER GLOVE IMPORTS

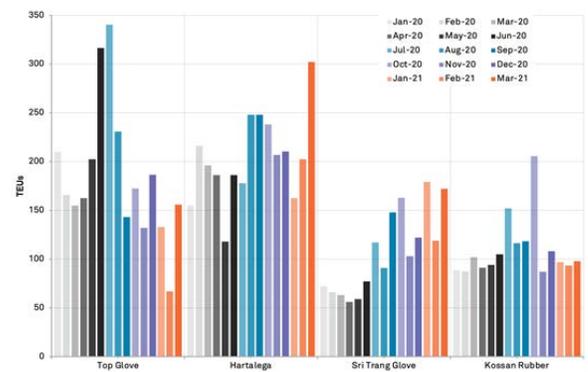


Chart segments U.S. seaborne imports of rubber gloves by consignee. Source: Panjiva

### Biden Administration Relaxes Stance on AstraZeneca Vaccine

The U.S. government will distribute up to 60 million doses of AstraZeneca's COVID-19 vaccine by the end of June, of which 10 million could be available shortly subject to FDA approvals. The U.S. is preparing doses even though the AstraZeneca vaccine is not yet used in the U.S., which has focused on Moderna's and Pfizer's products.

The USTR, Ambassador Katherine Tai, also held talks with the CEOs of Pfizer and AstraZeneca regarding the potential to ramp up global manufacturing capacity. That included a



discussion of WTO-level proposals to relax Trade-Related Aspects of Intellectual Property Rights (TRIPS) for vaccines where Tai noted the Administration's "commitment to working with WTO members on a global pandemic response." Closer coordination with the WTO has been a signature policy shift under the Administration.

The decision and TRIPS comments, alongside the relaxation of rules regarding pharmaceutical ingredient exports to India, represents a softening of the Biden Administration's stance on vaccine exports.

Yet, the figures involved are small in the context of a global pandemic. It isn't yet clear whether they will be shared with India (the subject of the briefing call announcing the distribution of AstraZeneca vaccines) or with Canada and Mexico under the so-called lending program.

### RCEP Takes Another Step Closer to Completion

The Japanese government has reportedly ratified the Regional Comprehensive Economic Partnership (RCEP), following similar moves by Singapore, Thailand and China. The deal, which focuses on reducing trade-in-goods barriers, requires approval by six of the ASEAN states and three non-ASEAN states to come into force.

China has already urged a full ratification by year end. Indonesia could be one of the biggest winners in terms of its exposure to trade with the rest of the ASEAN group. Some countries may be hesitating to sign for local political issues or as they seek to put other measures in place to protect domestic industries.

### Mattel, Hasbro May Need Holiday Price Hikes as Supply Chain Costs Surge

Mattel and Hasbro have reported very different rates of growth in Q1'21. Mattel's revenues jumped 47.1% year over year on a strong showing from its Barbie brand, while Hasbro's rose by just 0.8% due to a weak performance from its entertainment-oriented business.

Underlying supply chain activity was similar though with U.S. seaborne imports linked to Mattel up by 55.6% year over year in Q1 while Hasbro's climbed 57.9%.

Cost inflation has been a challenge for both firms. Mattel's CFO flagging a cost drag equivalent to 2.4% of revenues "equally weighted between resins and ocean freight." Hasbro's CFO has cited "significant increases in resin, packaging material and metal prices." That led Hasbro to put "plans in place to help mitigate those costs, including price increases," in H2'21.

The toy industry has been a victim of its own success, with surging shipments in Q1'21 contributing to higher logistics costs, with total U.S. seaborne imports of toys up by 44.5% year over year in Q1'21.

#### WIDESPREAD SURGE IN OFF PEAK TOY SHIPMENTS IN 2021

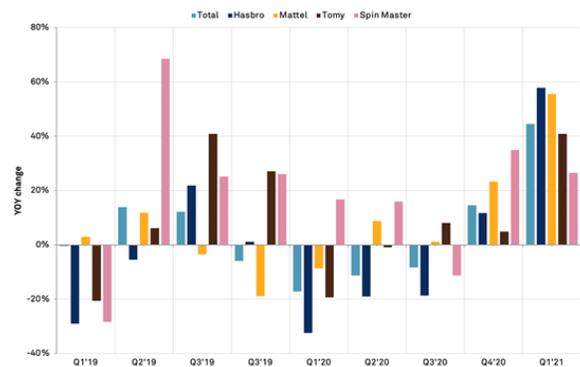


Chart segments U.S. seaborne imports of toys by consignee. Source: Panjiva

