TRADE NEWS WEEKLY

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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 *Sandler, Travis & Rosenberg P.A.*, which tracks companies involved in global trade. Other news sources may occasionally be included where indicated.

Trade Deficit Tumbles As Trade Declines

The monthly U.S. trade deficit in goods and services plummeted 21 percent in November, the biggest monthly drop in more than a decade and the resumption of a downward trend that lasted most of 2022.

"Americans are spending more of their money on services instead of goods, partly explaining the decline" in imports, a MarketWatch article explained. "Other factors include cheaper oil prices, COVID-related disruptions in China that affected the availability of consumer electronics such as cell phones, and declining demand for COVID vaccines." The decline in exports is due at least in part to "slower economic growth in other countries and a strong dollar that has made American goods and services more expensive."

According to statistics from the Department of Commerce, imports tumbled 6.4 percent from October to November, to $313.4 billion. Imports of goods were down 7.5 percent to $254.9 billion, with decreases of $3.3 billion in automobiles and auto parts, $2.9 billion in drugs, and $2.7 billion in cell phones and other household goods. Imports of services fell 1.4 percent to $58.5 billion. For the year-to-date, total imports were up 18.1 percent from November 2021.

Exports dropped 2.1 percent in November to $251.9 billion. Exports of goods were down 3.0 percent, with decreases of $1.6 billion in natural gas, $800 million in non-monetary gold, and $500 million in civilian aircraft. Services exports edged up 0.2 percent to $81.0 billion. For the year-to-date, total exports were up 18.9 percent from a year earlier.

With exports and imports both down, the monthly U.S. trade deficit fell from $77.8 billion in October to $61.5 billion in November. The deficit in goods trade declined 15.4 percent to $84.1 billion and the services trade surplus increased 4.7 percent to $22.5 billion. For the year-to-date, however, the overall trade deficit was up 15.7 percent from November 2021.
Source: Sandler, Travis & Rosenberg, P.A.

USTR Says Higher Costs With Trade Resilience

Global trade will have to become less efficient to become more resilient, U.S. Trade Representative Katherine Tai said recently, highlighting the continuing transition of U.S. trade policy under the Biden administration.

Tai's remarks at the annual World Economic Forum in Switzerland were not the first time she has spoken in favor of moving beyond the globalization model of the past few decades. In May 2022 she said a number of developments in recent years have caused her to "wonder whether this vision for globalization leading us to a better, more secure world has run its course and if we don't need a course correction."

Among other things, she said, "this 'free trade equals good, protectionism equals bad" dichotomy is one that I think we need to revisit." Specifically, policymakers should consider "how we can adapt the rules of trade to incentivize firm behavior to take into account more than just efficiency," an approach that will likely mean higher costs but will also yield "a more resilient, a stronger, more sustainable future."

Tai further developed that theme in her remarks last week. "[The current] version of globalization is running into some limitations," she said, noting in particular that a focus on "maximizing efficiency" has created "enormous amounts of prosperity without an inclusiveness that comes with it." As a result, the U.S. wants to "lead the thinking around what a new version of globalization might be, what a new economic world order might look like."

The prospects for developing and implementing the new global trade system Tai favors remain uncertain. There continues to be significant opposition to the idea among some policymakers, both abroad and domestically. In addition, a recent report from the International Trade Commission pointed out that there are gaps in data and analytical literature that could slow efforts in this direction.
Source: Sandler, Travis & Rosenberg, P.A.

U.S.-Taiwan Trade Talks Advance

Negotiations under the U.S.-Taiwan Initiative on 21st-Century Trade are continuing to move ahead, and Taiwanese officials are reportedly pushing to complete an agreement by the end of 2023.

The two sides launched the initiative in June 2022 after the U.S. left Taiwan out of the Indo-Pacific Economic Partnership due to concerns about how its inclusion might be received in China. In August officials announced a negotiating mandate envisioning high-standard commitments and economically meaningful outcomes in areas such as trade facilitation, good regulatory practices, small and medium-sized enterprises, agriculture, standards, digital trade, labor and environment, state-owned enterprises, and non-market policies and practices.

Following two days of what the Office of the U.S. Trade Representative calls "productive conceptual discussions" in New York City last November, a negotiating round held January 14-17 in Taipei saw officials exchange views on proposed texts covering trade facilitation, anti-corruption, small and medium-sized enterprises, good regulatory practices, and services domestic regulation. USTR said officials also "reached consensus in a number of areas" and pledged to "maintain an ambitious negotiating schedule in the months ahead," though no further details were given on what those areas where or when the next talks might be held.

The U.S. is pursuing the initiative with Taiwan amid continued tensions with China, which it identified as its top competitor in a recent national security strategy. The U.S. has also started restricting exports to China of high-tech items that could contribute to its military modernization.
Source: Sandler, Travis & Rosenberg, P.A.

CBP Sees Increase In Forced Labor Entries

U.S. Customs and Border Protection's latest monthly operational update finds that while the agency processed fewer entry summaries in November it also saw increases in the numbers of entries targeted for forced labor and seizures related to intellectual property rights.

CBP processed 2.7 million entry summaries valued at $269 billion in November, down from 2.9 million and $365 billion in October. CBP identified nearly $6.9 billion in estimated duties to be collected, down from $7.9 billion and the second straight monthly decline.

CBP targeted 444 entries (up from 398) valued at more than $128 million (down from $129.8 million) for suspected use of forced labor in the production of imported goods, including goods subject to withhold release orders or the Uyghur Forced Labor Prevention Act. Targeted shipments include those that are further inspected but not detained, detained and released, detained and exported, or detained and abandoned.

CBP also seized 1,536 shipments that contained counterfeit goods valued at $196 million, compared to 1,174 seizures valued at $302 million the previous month.

Finally, CBP completed 41 audits (up from 12) that identified $1.9 million in duties and fees owed to the U.S. government (up from $2,000) stemming from goods that had been improperly

declared. CBP also collected more than $5.3 million of identified revenue from previously completed audits.
Source: Sandler, Travis & Rosenberg, P.A.

CBP To End In-Bond Export Program February 11

U.S. Customs and Border Protection has issued a reminder that the one-year period for participants to transition out of the In-Bond Export Consolidator program expires Feb. 11.

The IBEC program was established as a pilot in 1986 to resolve conflicts between customs regulations and a practice whereby non-vessel-operating common carriers, non-aircraft operating common carriers, exporters, and other freight consolidators would receive individual shipments into their facilities for consolidation prior to exportation. In 1998, in an effort to maintain procedural and regulatory control over the bonded freight for export, Customs created the IBEC bond to cover the consolidation, cartage, transportation, and exportation of in-bond merchandise in the agency's custody. Today the IBEC bond is also known as the Activity Code 14 bond and there are 194 active IBEC bond holders operating within the Miami Seaport and Port Everglades ports of entry.

CBP announced in February 2022 that it was terminating the IBEC program because it has made it more challenging to ensure that the custody and manipulation of merchandise complies with regulations such as 19 CFR 19.11(e) and 125.41(a). However, IBEC bonds executed prior to Feb. 11, 2022, may continue to be used to secure activities until Feb. 11, 2023.

CBP is now reminding program participants (including facilities and the operators who manage them) that intend to continue their operations that they have until Feb. 11 to transition their facility status to a customs bonded warehouse, container freight station, foreign-trade zone, or facility operated as a non-vessel operating common carrier, depending on their business needs, and to obtain the appropriate bond(s).
Source: Sandler, Travis & Rosenberg, P.A.

U.S. Works To Boost Trade Relations With India As Alternative To China

The U.S. and India recently announced a new effort to enhance the resiliency and sustainability of their trade relationship, so it is "better able to withstand current and future global challenges." Treasury Secretary Janet Yellen said recently that India could play a major role in the emerging U.S. strategy of "friendshoring," in which the U.S. is deepening economic integration with trusted trading partners to diversify away from countries that present geopolitical, security, and other risks.

Among the most notable outcomes of a January 11 meeting of the U.S.-India Trade Policy Forum in Washington, D.C., was the launch of a working group on resilient trade that will initially focus on the following areas.

- deepening engagement on trade facilitation, with a dedicated working session anticipated in the coming months that will include digitization of customs procedures

- the importance of benefitting workers and promoting sustainable and inclusive growth, including promoting labor rights and workforce development

- expanded dialogue on good regulatory practices, with an initial focus on procedures for developing rules and regulations

- the role trade can play in contributing to environmental protection and responses to common sustainability challenges, including issues related to mobilization of sustainable finance and scaling up of innovative clean technologies

- additional means of strengthening supply chain resilience, especially in critical sectors, and related cooperation with trusted partners

Also at the meeting India reiterated its interest in regaining beneficiary status under the U.S. Generalized System of Preferences, which was terminated in June 2019 in light of what the U.S. called "a wide array" of market access barriers. Prior to that time India had been the largest user of GSP, with $5.7 billion in shipments under the program in 2017.

As it has before, the U.S. responded that India's request "could be considered, as warranted, in relation to the eligibility criteria determined by the U.S. Congress." GSP lapsed on December 31, 2020, and has not been reauthorized due to disagreements among lawmakers about whether to revise or expand the program's eligibility requirements. Prospects for renewing GSP in the current Congress, where control of the House of Representatives has switched from Democrats to Republicans, remain uncertain.

The TPF meeting also saw the two sides highlight recent progress in addressing specific trade irritants, including trade restrictions, compliance burdens, and intellectual property protections. They exchanged views on "potential targeted tariff reductions," though no further details were offered. They signaled their intent to increase talks on food and agricultural trade issues and to examine how greater cooperation in financial technology (e.g., electronic payment services) could contribute to a further expansion of bilateral trade.

TPF working groups are now expected to meet quarterly to "identify specific trade outcomes to ensure that the trade relationship begins to reach its full potential." Senior officials plan to hold an inter-sessional TPF meeting by mid-2023 and the next ministerial meeting by the end of the year.
Source: Sandler, Travis & Rosenberg, P.A.

Five-Point Plan Could Help Rebuild Pro-Trade Consensus

Warning that "the economic growth enabled by freer trade is now in peril," two recently retired lawmakers have offered a blueprint for halting "the trend toward protectionism and managed trade" and "rebuilding a bipartisan pro-trade consensus" in Congress.

Sen. Pat Toomey (R-Pa.), who served on the Senate Finance Committee, and Rep. Ron Kind (D-Wis.), who served on the House Ways and Means Committee, were both supporters of the type of trade liberalization that has fallen out of favor in both parties in recent years. Republicans have been the more ardent champions of this approach in recent decades, and the fact that they will control the House of Representatives for the next two years has given supporters some hope that related measures may see some progress.

However, the number of lawmakers on both sides of the aisle who advocate for freer trade continues to dwindle. Those supporters who remain face a formidable opponent in a White House that has adamantly rejected traditional trade agreements and pursued a different model that relies more on executive action.

Nevertheless, Toomey and Kind said they remain optimistic that a bipartisan pro-trade consensus can be rebuilt.
Source: Sandler, Travis & Rosenberg, P.A.