

TRADE NEWS WEEKLY

September 4–September 8, 2023

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 information from *Sandler, Travis & Rosenberg P.A.*, which tracks news and events related to global trade. Other news sources may occasionally be included where indicated.

Trade Deficit Down Again As Exports, Imports Both Decline

The monthly U.S. trade deficit in goods and services dropped 4.1 percent in June, the second straight monthly decline, as imports and exports both fell. For the year to date the total U.S. trade deficit is down 22.3 percent for the same period in 2022, with exports up 2.5 percent and imports down 4.0 percent.

Imports dropped 1.0 percent, to \$313.0 billion, from May to June. Imports of goods were down 1.1 percent to \$253.3 billion, with decreases of \$2.1 billion for finished metal shapes, \$1.6 billion for computers, and \$1.0 billion each for crude oil and artwork and other collectibles, along with increases of \$2.4 billion for pharmaceutical preparations and \$1.7 billion for passenger cars. Services imports slid 0.3 percent to \$59.7 billion.

Exports edged down 0.1 percent in June to \$247.5 billion. Exports of goods were down 0.1 percent to \$165.1 billion, with decreases of \$800 million for civilian aircraft, \$600 million for pharmaceutical preparations, and \$500 million for crude oil, along with increases of \$500 million each for non-monetary gold and other industrial machinery. Services exports slipped 0.2 percent to \$82.3 billion.

With exports and imports both down, the monthly U.S. trade deficit decreased from \$68.3 billion in May to \$65.5 billion in June. The deficit in goods trade was down 3.1 percent to \$88.2 billion while the services trade surplus gained 0.4 percent to \$22.7 billion.

Source: Sandler, Travis & Rosenberg, P.A.

July Trade Volume And Forced Labor Entries Decline

U.S. Customs and Border Protection's latest monthly operational update reports that the agency saw a smaller volume of trade last month as well as fewer forced labor shipments.

In July CBP processed more than 3.0 million entry summaries (down from 3.1 million in June) valued at more than \$262 billion (down from \$278 billion) and identified nearly \$7.0 billion in estimated duties to be collected (unchanged).

CBP targeted 388 shipments (down from 405) valued at more than \$107 million (down from \$239 million) for suspected use of forced labor in the production of imported goods, including goods subject to withhold release orders, forced labor findings, 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. (For more information on ST&R's comprehensive suite of forced labor-related services, please contact us at supplychainvisibility@strtrade.com).

CBP also seized 1,698 shipments (down from 1,709) that contained counterfeit goods valued at more than \$165 million (up from \$120 million).

CBP appears to have stopped providing monthly statistics on the number of audits completed, the value of duties and fees owed to the U.S. government stemming from improperly declared



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goods, and the value of identified revenue collected from completed audits.

Source: Sandler, Travis & Rosenberg, P.A.

Additional Nuclear Nonproliferation Controls On China And Macau

The Bureau of Industry and Security is amending the Export Administration Regulations to establish effective August 11 additional nuclear nonproliferation controls on China and Macau, which the agency states are a response to China's military modernization efforts, military-civil fusion strategy, and expansion of its nuclear forces.

This change specifically applies to items controlled for nuclear nonproliferation (NP) column 2 reasons, imposing a license requirement for NP2 controlled items destined for China or Macau. License applications for items controlled for NP2 reasons to China and Macau will be reviewed in accordance with the license review policies set forth in Section 742.3(b)(3) and (4) of the EAR.

According to BIS, these controls are being put in place to further allow the U.S. government to monitor the export of these items to assure that they are only being used in peaceful activities such as commercial nuclear power generation, medical developments, production of or use in medicine, and nonmilitary related industries. BIS adds that this rule does not change Macau's status for purposes of the EAR, meaning that it will continue to be treated as a separate destination from China.

Source: Sandler, Travis & Rosenberg, P.A.

U.S.-Vietnam Meeting Hints At Possible Tariffs Over Timber

Nearly two years after the reaching an agreement that avoided Section 301 tariffs on imports from Vietnam, the U.S. indicated concerns about Hanoi's implementation of that agreement.

In October 2020 the Office of the U.S. Trade Representative initiated a Section 301 investigation into Vietnam's acts, policies, and practices related to timber imports. At the time,

USTR said available evidence suggested that a significant portion of the timber Vietnam imports has been harvested or traded in violation of Vietnam's domestic laws, the laws of exporting countries, or international rules. Vietnam is one of the world's largest exporters of wood products, with more than \$3.7 billion worth of wood furniture shipped to the U.S. in 2019 and relies on imports of timber harvested in other countries to supply inputs for those products.

A year later the two sides struck an agreement under which the U.S. agreed not to impose any Section 301 measures (e.g., import tariffs) in return for commitments by Vietnam to improve its timber legality assurance system, keep confiscated timber (i.e., timber seized for violating domestic or international law) out of the commercial supply chain, verify the legality of domestically harvested timber regardless of export destination, and work with high-risk source countries to improve customs enforcement at the border and law enforcement collaboration.

Officials recently held the third meeting of the Timber Working Group that oversees implementation of the October 2021 agreement, and a readout from USTR suggested that progress has been slow. USTR noted that the two sides "discussed relevant technical assistance and capacity building activities," possibly indicating that Vietnam is seeking more money and other resources from the U.S. (or perhaps third parties) to fulfill its commitments. USTR also made a point of emphasizing that "the presence of illegally harvested timber in the supply chain disadvantages U.S. workers and businesses who use lawful and sustainable means to make their goods," which could be a signal that the Vietnam agreement remains a priority issue for the U.S. and that punitive measures are a possibility if sufficient progress is not made.

For now, however, USTR simply said that it "will continue to closely monitor Vietnam's implementation of the timber agreement and that the U.S. and Vietnam will "continue close cooperation in advance of a fourth Timber Working Group meeting."

Source: Sandler, Travis & Rosenberg, P.A.



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Mexico Will Address Labor Violations At Garment Facility

The U.S. and Mexico announced August 9 a course of remediation to address denials of rights at the Industrias del Interior (INISA) denim garment facility in the state of Aguascalientes, marking the sixth time the two countries have agreed on a formal course of remediation under the Rapid Response Labor Mechanism in the U.S.-Mexico-Canada Agreement.

The request centered on allegations that the Mexican company had coerced workers into accepting its proposed collective bargaining agreement revisions, intervened in the internal affairs of the union representing workers at the facility in question, and failed to bargain in good faith with that union. Under the remediation course, which must be completed by November 10, the Mexican government will:

- ensure that INISA posts, disseminates, and abides by a public, written statement in which INISA commits to ensure respect for the rights of freedom of association and collective bargaining, affirm its neutrality on workers' union choices and guarantee its non-interference in all union activities, and refrain from attempts to influence workers' views on unions or union officials in any way;
- ensure INISA issues transparent guidelines that govern the conduct of personnel at the facility, implement the commitments of the neutrality statement, and establish the rights provided to workers, union representatives, and union advisers at the facility;
- ensure INISA implements a zero-tolerance policy for violations of the guidelines and neutrality statement;
- ensure INISA trains all company personnel and union representatives on the company guidelines and neutrality statements;
- offer a telephone line and/or direct email address for workers to anonymously report any intimidation, coercion, or threats with respect to their selection of a union or union activities, or

non-neutrality, or interference in internal union affairs;

- conduct in-person workers' rights training for all company personnel during normal working hours and post and distribute informational material at the facility regarding freedom of association and collective bargaining; and

- initiate sanctions proceedings, according to Mexican law, if Mexico has information that shows violations of Mexican law, and impose appropriate sanctions against individuals, labor organizations, or companies that have been found to violate Mexican law.

Source: Sandler, Travis & Rosenberg, P.A.

Imports From Nigeria Under Consideration

The Department of Agriculture's Animal and Plant Health Inspection Service is considering a request to allow the importation of fresh ugu leaves from Nigeria into the continental U.S. and has drafted a pest risk assessment that lists the potential pests likely to remain on this commodity upon importation if no mitigation is applied. Comments on this assessment, including information that might lead APHIS to revise its assessment before identifying pest mitigations and proceeding with the commodity import approval process, are due by October 27.

Source: Sandler, Travis & Rosenberg, P.A.

Evasion Of AD Duty Orders On Wooden Furniture From China

In a final determination under the Enforce and Protect Act, U.S. Customs and Border Protection has determined that an importer evaded the antidumping duty order on wooden bedroom furniture from China by using a general product description and misclassifying the items as non-covered merchandise.

As a result of this determination CBP will (1) suspend or continue to suspend liquidation of the importer's entries covered by this investigation, (2) rate adjust entries previously extended, change those entries to type 03, and continue suspension, and (3) evaluate the importer's continuous bonds and require single transaction bonds as appropriate.

Under CBP regulations implementing the EAPA any interested party, including competing importers and federal government agencies, may submit allegations that AD/CV duties are being evaded; e.g., by misrepresenting the goods' true country of origin, submitting false or incorrect shipping and entry documentation, or misreporting the goods' physical characteristics. CBP has broad authority to investigate these claims and can impose initial remedial measures that can interrupt a supply chain in as little as 90 days. Any final determination of evasion may be met with not only AD/CV duties but also other enforcement measures such as civil or criminal investigations.

Source: Sandler, Travis & Rosenberg, P.A.

Making Trade Policy More Worker-Centered Gets Extended Comment Period

The Office of the U.S. Trade Representative has extended to Sept. 29 the deadline for comments on how to design U.S. trade and investment policy to expand the benefits of trade to underserved and marginalized communities in the U.S. and trading partners that share concerns about rising inequality. Comments will be used to help USTR develop inclusive objectives and positions in all trade and investment policy areas for both enhanced engagement and subsequent negotiations.

Comments may respond to any or all of the following questions.

- What meaningful and substantive trade policies, actions, or provisions should be considered that would advance racial and gender equity, equality, and empowerment in U.S. trade and investment policy? If applicable, what existing tools can be better utilized for these goals?
- What new and innovative tools, structures, and capacity should the U.S. government adopt to advance inclusive trade and investment policy?
- How can trade and investment policy address multiple, intersecting barriers to advancing

equity for underserved persons (e.g., rural communities, race/ethnicity, gender, and persons with disabilities)?

- What best practices should USTR consider to ensure that advancing equity, equality, and economic empowerment is standardized in community and stakeholder engagement regarding the development and implementation of U.S. trade and investment policy?

- Are there specific engagement and consultation considerations and/or processes that should be considered in incorporating equity into U.S. trade and investment policy?

- What key actions should the U.S. government pursue with trade partners and allies to ensure that the benefits from trade and investment policy reach underserved communities?

- Are there trade policies, provisions, or actions that are detrimental to advancing racial and gender equity, equality, and economic empowerment? If so, how should they be corrected?

- How can trade policymaking better respond to the specific interests of different U.S. regions and local communities?

Source: Sandler, Travis & Rosenberg, P.A.

