TRADE NEWS WEEKLY

June 23-June 27, 2025

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 various trade publications, which track news and events related to global trade. Other news sources may occasionally be included where indicated.

China Disrupts Critical Mineral Supply Chain

Mainland China's recent expansion of export restrictions on critical minerals, including rare earths used in magnets and batteries, has significantly disrupted global supply chains, particularly impacting the automotive sector.

These restrictions highlight mainland China's dominance in supplying critical minerals to the U.S., such as 68.5% of U.S. rare earth imports and 47.1% of tantalum imports.

The EU has announced 13 new projects aimed at expanding access to critical minerals needed for energy transitions, requiring an estimated €5.5 billion in capital, under the 2023 Critical Raw Materials Act.

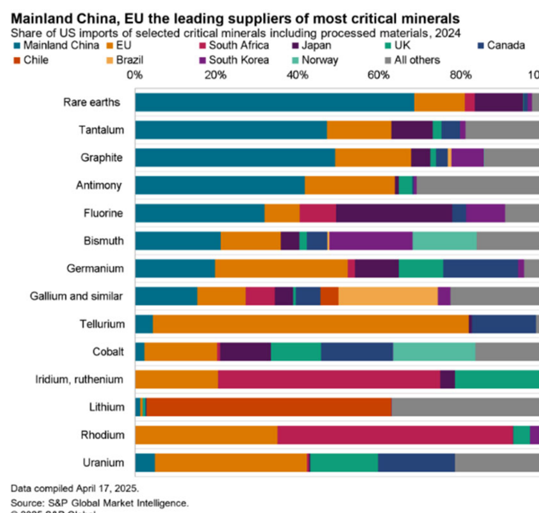
In Canada, a new rare earth plant in Saskatoon plans to supply permanent magnets for 500,000 electric vehicles by 2025, potentially benefiting from state support to expedite production.

The restriction of antimony supplies by mainland China, added to the export control list on Aug. 15, 2024, has significantly impacted critical minerals supply chains, particularly affecting both civilian and military sectors due to its dual-use designation.

Battery supply chains could face significant disruptions due to increased tariffs on supplies from mainland China and the world, through national security reviews, antidumping duties and reciprocal tariffs. Both artificial and natural graphite imports are predominantly sourced from mainland China, accounting for 68.7% and 48.2% of U.S. imports by weight in 2024, respectively.

Rare earth elements, crucial for high-tech products like permanent magnets, face supply challenges due to mainland China's export restrictions, impacting industries globally, particularly automotive makers in India.

Mainland China dominated the global supply chain in 2024, providing 76.5% of rare earth metal imports, while US imports of permanent magnets from mainland China increased to 96.0% in early 2025.



Source: Panjiva Data

DOC Sets Procedures for Easing Tariffs on Imported Autos

The Department of Commerce (DOC) has published procedures that can be used to ease

HAWAII FOREIGN-TRADE ZONE NO. 9
521 Ala Moana Blvd, Ste 101 • Honolulu, HI 96813
Tel. 808-586-2507 • administrator@ftz9.org
www.ftz9.org • www.facebook.com/HawaiiFTZ
X (formally Twitter) at: @FTZ9

the Section 232 tariff on imports of automobiles that took effect April 3, 2025.

This tariff does not apply to the U.S. content (i.e., the value of the automobile attributable to parts wholly obtained, produced entirely, or substantially transformed in the U.S.) in vehicles imported from Mexico and Canada that qualify for preferential tariff treatment under the U.S.-Mexico-Canada Agreement.

The DOC notice provides that, beginning May 20, 2025, importers of such vehicles may seek to take advantage of this tariff exclusion by submitting documentation that identifies the following information: total declared customs value of an automobile in the model line at the time of importation, the total value of U.S. and non-U.S. content, vehicle production location(s), country of final assembly, certification of USMCA preference eligibility, importer name, importer of record number, manufacturer name and facility, country of origin, and vehicle year, make, and model.

Once the DOC reviews and confirms the accuracy of this information it will inform U.S. Customs and Border Protection of the authorized importers and automobiles.

However, if CBP determines that the declared U.S. content is overstated or inconsistent with the figure approved by the DOC, the Section 232 tariff will apply retroactively (from April 3) and prospectively (from the date of the inaccurate overstatement to the date it is corrected) to the full value of all automobiles of the same model line imported by the same importer.
Source: Sandler, Travis & Rosenberg, P.A.

Former Border Patrol Chief Confirmed as CBP Commissioner

The Senate has approved on a party-line vote the nomination of Rodney Scott to serve as commissioner of U.S. Customs and Border Protection (CBP). Scott served as chief of the U.S. Border Patrol during President Trump's first term and is expected to, per Trump's stated priorities, focus CBP efforts on reducing illegal immigration and drug smuggling.

According to his biography on CBP's website, Scott began his career with the Border Patrol in 1992 and subsequently held numerous leadership positions at various stations and sectors along the U.S.-Mexico border, ultimately becoming chief patrol agent for the El Centro and then San Diego sectors. During his career Scott also served in various roles at CBP headquarters, including as assistant chief within the Office of the Commissioner, Office of Anti-terrorism, as deputy executive director of that office, and as director for CBP's Incident Management and Operations Coordination Division.

According to press articles, Senate Finance Committee ranking member Ron Wyden, D-Ore., said recently that Scott "has no experience with customs facilitation or enforcement" at a time when the U.S. is imposing unprecedented tariffs on imports from virtually all countries.
Source: Sandler, Travis & Rosenberg, P.A.

COAC Working to Improve De Minimis as CBP Moves Toward Changes

Section 321 of the Tariff Act of 1930 allows for the informal entry of articles that have a retail value of $800 or less and are imported by one person in one day. These de minimis shipments are generally free of duty and taxes and subject to expedited clearance processing.

Earlier this year U.S. Customs and Border Protection (CBP) issued separate proposed rules that would remove de minimis eligibility for imports subject to certain tariffs and require additional data elements for de minimis entries. President Trump has since terminated de minimis eligibility for imports from China (including Hong Kong and Macau) as of May 2, 2025, and indicated an interest in eliminating de minimis entirely. That goal was echoed in an April 2025 report to the president asserting that the de minimis exemption is "a means by which fentanyl, counterfeit goods, and various deadly and high-risk products enter the United States with little scrutiny."

In the meantime, CBP is working to upgrade the Automated Commercial Environment (ACE) to automate the process of enforcing the $800 limit for the de minimis exemption. In January CBP released an ACE enhancement that provides warning notifications to ensure appropriate parties do not receive de minimis clearance for more than an aggregate of $800 in shipments on a given day. Since then, CBP has been gathering input on this enhancement, the flow of cargo, and industry response when ineligibility occurs upon arrival. CBP next plans to implement this August ACE functionality that will withhold clearance (what CBP calls a hard reject) of shipments whose value exceeds the $800 threshold.

A working group under U.S. Customs and Border Protection's Commercial Customs Operations Advisory Committee (COAC) reported at a recent COAC meeting that it is working to address de minimis issues as well. For example, the working group intends to provide input regarding enhanced methods to ensure the quality of data regarding de minimis transactions by addressing reoccurring compliance issues such as timely presentation of freight, manifesting, weight to value ratio, and partner government agency referrals. Other work will include identifying alternative enforcement actions to increase compliance (e.g., abandonment, denied entry, and penalties) as well as ways to improve CBP's outreach to better educate the trade community on de minimis requirements and compliance.

COAC also adopted a working group recommendation that CBP update ACE edits and validations to enforce the bond requirement for type 11 and 12 informal entries when duties, taxes, and fees are not presented at the time of cargo release. CBP recently updated its ACE development schedule to indicate that such a change, which had been scheduled for this July, has been put on hold.

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

Green Coffee Jolt

The J.M. Smucker Co. has attributed a downgrade in its earnings guidance to rising commodity prices and U.S. import tariffs on green coffee, with Vietnam and Brazil as key suppliers. U.S. import prices for green coffee reached US$8.1 per kg in May 2025, marking an 8.3% increase from April and an 82.9% rise compared with the previous year, exacerbated by climate-related impacts on commodity prices. Tariffs on imports from Vietnam could rise to 46% if a trade deal with the U.S. is not reached by July 9, 2025, while the rates on those from Brazil — which accounted for 33.5% of total U.S. imports in the past 12 months — and most other sources will remain at 10%. In response, Smucker plans to implement around 20% net pricing to mitigate the effects of commodity price inflation and tariffs, a strategy common among consumer staples firms facing limited supplier options.

Source: Panjiva Data

Faster graphics chips, smaller semiconductor sites

Manufacturers of Nvidia Corp.'s RTX 5090 graphics cards are expediting shipments to the U.S. to avoid potential tariffs, with Micro-Star International Co. Ltd. (MSI) reporting immediate sell-outs, making inventory building difficult.

U.S. chip importers face two tariff deadlines: first, the potential Section 232 review conclusion in late June; if no tariffs are applied there, a July 9, 2025, deadline for deciding IEEPA tariffs could become relevant, particularly for Taiwan, which constituted 25.4% of U.S. processor imports in 2024.

Signs of the pre-tariff front-loading can be seen in U.S. processor imports, which rose by 19.2%

year-over-year in April, with shipments from Taiwan increasing by 39.7%. Imports of higher-end AI systems categorized as servers surged by 63.4%, including a 261% rise from Taiwan.

In other chip news, the Indian government has introduced new incentives for chip manufacturing investments, reducing the minimum Special Economic Zone (SEZ) size to promote individual fabricating plants. This strategy aims to enhance domestic manufacturing and decrease dependency on foreign imports of computer chips, for both economic development and national security reasons. India's appetite for chips continues to surge, with semiconductor imports rising by 43.5% year over year in April 2025, led by shipments linked to Hon Hai Precision Industry Co. Ltd. and Dixon Technologies Pvt. Ltd.
Source: Panjiva Data

Tariff Trouble: Furniture

U.S. tariffs are not a new issue for the furniture sector, which has dealt with antidumping duties since 2005 and Section 301 duties on imports from mainland China since 2019. Firms therefore have well-established playbooks, likely driving a net-negativity of comments on earnings calls about tariffs of just 2.5% compared with 4.5% for all consumer discretionary firms.

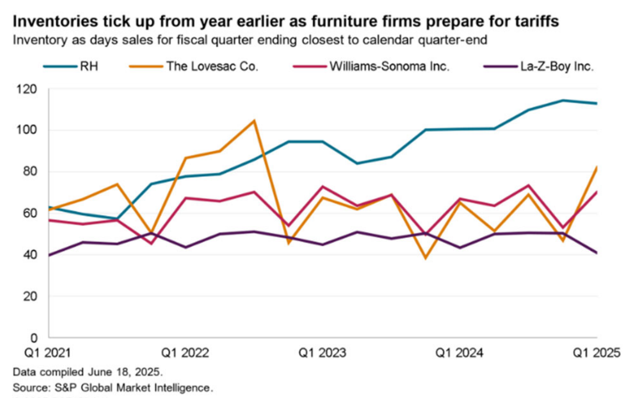
Disruptions to shipping linked to the rapid changes in U.S. tariff policy in April and May led to delayed shipments and lost sales during the outdoor furniture sales season, according to retailer RH. U.S. seaborne imports of furniture fell by 4.3% year-over-year in May 2025 after climbing 25.6% in April.

Firms have scaled up inventories to preempt duties and provide sales flexibility. Williams-Sonoma Inc.'s inventories rose to 70 days of sales in the latest quarter from 63 days a year earlier, while The Lovesac Co.'s rose to 82 days from 65 days. La-Z-Boy Inc. has been an outlier with falling inventory days, although it did take "strategic" inventory actions on some products.

Taking the four big furniture retailers together, inventories rose to an average 76 days from 70 days a year earlier.

Price rises have been used sparingly by RH, Williams-Sonoma and La-Z-Boy, while Lovesac has used its higher profit margins to build market share — a tactic that Wayfair Inc. has stated many of its sellers have followed. Burden sharing with suppliers by negotiating lower import prices was evident during the 2019 tariff round, with imports from mainland China getting 2.7% cheaper year over year in March 2020, while imports from the Association of Southeast Asian Nations (ASEAN) increased 0.2%. A similar pattern has occurred in 2025, with mainland China down by 1.6%, while ASEAN fell by just 0.3% in May 2025.

Reshoring of manufacturing is a long-term strategy for RH and Williams-Sonoma. Mainland Chinese suppliers' share of U.S. imports fell to 30.2% in the past 12 months from 59.6% in 2017, with ASEAN suppliers being the main winners. La-Z-Boy already sources 90% of its upholstered products in North America, while Lovesac, RH and Williams-Sonoma are increasing their sourcing in the U.S., potentially leading to a regionalization in North America that is closer to that seen in Europe and ASEAN.



Source: Panjiva Data