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WE WANT TO HEAR FROM YOU!

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TRADE NEWS:

United States and Brazil Sign Limited Agreement to Facilitate Trade

On October 19, 2020, the United States and Brazil signed a new protocol related to Trade Rules and Transparency. The agreement updates the 2011 Agreement on Trade and Economic Cooperation (ATEC) which originally sought to facilitate commerce between the countries, strengthen regulatory practices and avoid corruption. According to pundits, the deal will open a new chapter in the relationship between the two countries.

Although the details on the contract have not yet been released, the U.S. Trade Representative (USTR), Robert Lighthizer, has speculated that the trade agreement is comparable to the facilitation of the recent US-Mexico-Canada-Agreement (USMCA). Additionally, Lighthizer predicted that traders should expect to experience more incremental progress in the coming months.

Through this partnership, the United States and Brazil hope to make it easier for companies to process goods that are transported across their borders. Additionally, they share a commitment towards cooperatively working together to improve their commercial relationship through the prevention, reduction, and removal of obstacles from growing bilateral trade and investment opportunities.

If you have any questions regarding this development, please reach out to compliance@shapiro.com.

Shapiro will continue to monitor the situation and provide updates as they become available.

EU Imposes Additional Tariffs on $4 Billion Worth of US Exports

Per our earlier Shap Flash, the European Union (EU) announced that it will raise tariffs on $4 billion worth of goods imported from the US in response to the on-going dispute over aircraft subsidies.

As a result, the EU will impose an additional 15% tariff on large aircrafts, as well as 25% tariffs on an assortment of other goods – which includes a variety of seafood, alcoholic beverages, chocolate, exercise equipment, and more – effective November 10, 2020.

The latest Section 301 retaliation considered the stalled and unsuccessful discussions between US and EU negotiators and follows last month's World Trade Organization (WTO) ruling in favor of the EU increasing tariffs on certain US products. According to officials, the European Commission is prepared to work to settle the dispute and to agree on long-term disciplines to subsidies once the US removes its punitive tariffs on $7.5 billion worth of products imported from the EU.

Click here to view the preliminary list of US products subject to additional duties.

Shapiro will continue to monitor the situation and provide status updates as they become available.

Recent US Trade Policy Trumped by Presidential Proclamations

Changes to Section 232 Tariffs on Canadian Aluminum

As you are already aware, President Trump issued a Proclamation on Adjusting Imports of Aluminum into the United States, reinstating Canada's exclusion from additional 10% duties under Section 232 on certain non-alloyed unwrought aluminum articles on October 27, 2020.

As a result, effective with respect to goods entered for consumption, or withdrawn from warehouse for consumption, on or after 12:01 a.m. eastern daylight time on September 1, 2020, HTS number 9903.85.21 is no longer required for imports of non-alloyed unwrought aluminum articles that are the product of Canada provided for in HTS subheading 7601.10.

Goods entered prior to September 1, 2020, are still subject to additional duties under 9903.85.21. ACE has been updated to reflect these modifications starting October 28, 2020.

Importers with questions related to Section 232 duties should contact the Trade Remedy Branch directly.

GSP Eligibility Modifications

While the GSP program is scheduled to expire at year's end if not renewed by Congress prior, President Trump signed another Presidential Proclamation on October 30th to announce changes to Generalized System of Preferences (GSP) eligibility for preferential treatment based on the US Trade Representative's (USTR) 2020 GSP Program review findings.

The decisions include the following:

- **Revoked Benefits –** Certain products imported from Thailand under GSP preferential treatment (approximately one-sixth of Thailand's GSP trade) will be removed from the eligibility list and will no longer be treated as duty-free effective **December 30, 2020 (12:01 am)**. The list of the revoked products can be found in **GSP 2020 Decisions – Annex I**.
- **Removed Benefits –** Parboiled rice (HTS 1006.30.10) is removed from the GSP eligibility list for all GSP Beneficiary Developing Countries (BDCs) effective **November 1, 2020 (12:01 am)**. The list of removed products can be found in **GSP 2020 Decisions – Annex II**.
- **Added Benefits –** Fresh-cut roses (HTS 0603.11.00) are added to the eligibility list for all GSP BDC's effective **November 1, 2020 (12:01 am)**. The list of added products can be found in **GSP 2020 Decisions – Annex II**.
- **De Minimis Competitive Need Limit (CNL) Waiver –** Competitive Need Limitations (CNLs) are waived for products in which total imports of the article did not exceed $24.5 million effective **November 1, 2020 (12:01 am)**. The detailed list can be found in **GSP 2020 Decisions – Annex III**.
- **CNL Removal –** Six (6) products from Argentina, Brazil, Ecuador, and Indonesia that exceeded the $190 million CNL threshold for imports from a single country are removed from GSP eligibility effective **November 1, 2020**. The detailed list can be found in **GSP 2020 Decisions – Annex II**.
- **Continued Benefits –** Georgia, Uzbekistan, and Indonesia will continue to receive GSP preferential treatment.

According to US Customs and Border Protection (CBP) officials, the Automated Commercial Environment (ACE) will be updated to accept and process related GSP claims with respect to goods entered for consumption, or withdrawn from warehouse for consumption, on or after the effective dates mentioned above.

Click here to view the official **GSP Presidential Proclamation** issued on October 30.

How can we help?

For any questions regarding the above announcements, please contact compliance@shapiro.com.

You can also stay up to date on the latest trade news by receiving our Shap Flash Alerts directly to your inbox. Please visit our Subscription Center today to sign-up for free!

Will Trade Tensions Persist Once US President-Elect Biden Takes Office?

It is no secret that the past four years have been fraught with escalating political and economic international tension. As the United States continues to work through the highly contested results of its tumultuous 2020 presidential election, world leaders are anxiously awaiting what US trade policy will look like in a post-Trump administration. As President Trump and his advisors begin to transition from office, two big questions remain:

1. What will the lame-duck President Trump do during his final two months in office?
2. Will things go back to 'normal' once President-elect Biden takes the oath of office come January?

It's safe to say that the answer to the first question is a lot more unclear than the second, for a medley of reasons – the largest of which being Trump's wildly unpredictable decision-making. However, it's also not easy to predict what's to come in January 2021 and beyond, as President-elect Biden will most likely focus on domestic policy first and foremost.

With that being said, here are a few predictions as to what may be in store for US trade policy in the near term (Trump) versus the longer term (Biden):

Section 301 Tariffs – China

It's possible that Trump decides to increase the duty rate on List 4A products or finally levies tariffs on List 4B products before his departure; however, the likelihood of him tacking on additional tariffs is relatively low. Similarly, existing tariffs will possibly remain once Biden takes office; it is more likely that he will collaborate with our country's allies and formulate a strategy to address China's unfair trade practices than immediately levy additional tariffs on Chinese products.

Section 301 Tariffs – European Union

President Trump may also decide to retaliate against the EU's recently-announced tariffs on $4.5 billion worth of US exports before the year's end. However, many have speculated that there could be pause, or even a permanent end to tariffs should Biden work towards improving relations with EU leaders in the new year. Regardless, this will undoubtedly be a long and complicated negotiation process for the Biden administration.

Section 232 Tariffs

It's probable that Section 232 tariffs, the duties that have been levied on aluminum and steel products, will remain unchanged during the transition and the early stages of Biden's term.

Generalized System of Preferences (GSP)

The GSP program is scheduled to expire on December 31st; it is on the legislative docket for renewal. Experts are unsure whether the Trump administration will spend its remaining days working with Congress to renew the unreciprocated benefits program. However, if President Trump's record precedes him, it seems more likely that the program will terminate at year's end. Consider that he just recently issued GSP eligibility modifications on October 30th, after already revoking GSP status for Thailand, India and Turkey while in office. There is hope, however. Should GSP expire, it would not be unprecedented that Congress retroactively renews this program at a later date.

In addition to the above topic areas, containing the pandemic and reinvigorating the economy, it's also likely that the Biden administration will address digital services taxes (DST), climate change and worker rights in the coming months.

Although it may be difficult to say what the future will bring, it seems clear that Biden will engage in a much more open and multilateral approach to trade relations and agreements than his predecessor.

Combating Counterfeit and Illicit Goods this Holiday Season

As we continue to see remarkable growth in e-commerce, the number of parcels that contain counterfeit goods and/or contraband is on the rise.

Did you know that U.S. Customs and Border Protection (CBP) processes more than 420,000 parcels of mail and 180,000 express consignment shipments daily from China, on average? Despite handling such high shipment volumes, CBP has been able to identify that roughly 12.5% of targeted parcels contain contraband and/or counterfeit goods through an interagency enforcement group led by CBP officials called Operation Mega Flex.

With the holiday and ecommerce peak season fast approaching, CBP has issued a reminder to all Customs Trade Partnership Against Terrorism (CTPAT) members to reinforce the importance of taking all actions necessary to protect the supply chain. Because preventing the flow of counterfeit and illicit goods is implicit in the partnership, it is essential that CTPAT members remember to keep security in mind when ordering products online. Members should also review any security programs to help identify and mitigate security gaps in the supply chain.

Additional Resources:

CBP has put together a few handouts with helpful tips pertaining to the importation of counterfeit goods:

- E-Commerce Counterfeit Awareness Guide for Importers
- E-Commerce Counterfeit Awareness Guide for Consumers

As a final reminder, please remember to report fraud or illegal trade activity to the e-Allegations Online Trade Violation Reporting System or call 1-800-Be-E-ALERT.

If you have any questions, please reach out to compliance@shapiro.com.

TRANSPORTATION NEWS:

Chassis Shortages and Capacity Spikes Will Likely Carry Well into 2021

As the extended peak season wanes on, container ships, space on container ships, and even containers themselves are in short supply for U.S. transpacific imports.

Since early June, capacity has been the driving force behind ever-climbing rates and extended transit times. After re-instating blank sailings, shippers began to employ extra charter vessels, leaving few options for continuing the capacity increase momentum.

In some cases, shippers have seen rolled bookings at origin and at transshipment, despite already waiting several weeks for cargo space in the first place. To make matters worse, not only are steamship lines running out of available container space, but the leasing companies are coming up short, too. Container manufacturers have reportedly sold out of new orders through February 2021. And even when containers finally arrive to their destinations, shippers still face another set of obstacles due to severe chassis shortages slowing down port turn time for deliveries.

Importers everywhere want to know – when will the insanity stop?

Recent data indicates that container leasing volumes are expected to remain healthy through the Chinese New Year (CNY) in February. Unfortunately, space is expected to remain the same for much of November, as we creep closer towards the holidays. However, shippers can combat this change by planning for longer lead times, where possible, and ensuring cargo is booked at least three weeks ahead of the desired departure.

Interested in staying up to date on Transpacific capacity? Visit our Subscription Center to sign-up to get the latest industry alerts delivered right to your inbox!

Attention Exporters: BIS Accepting License Extension Requests

Despite the somewhat bleak and grim turn of events for the trade community in recent months, the Bureau of Industry and Security (BIS) has recently shined a light for some by providing an opportunity for exporters to request a six-month extension on licenses set to expire on or before December 31, 2020.

According to a press release published last month, the BIS will streamline the extension of the validity process in an effort to "help ensure that exporters with licenses due to expire on or before the end of 2020, who may not have been able to ship orders due to resource constraints during the pandemic, have the opportunity to benefit fully from the authorizations granted on their licenses."

Exporters looking to take advantage of this opportunity can submit an extension request directly to the Bureau's electronic mailbox via LicenseExtensionRequest@bis.doc.gov.

Once the request is received and processed, BIS officials will review the original export license. From there, exporters can expect to see a validity extension approval – or in some cases a denial – in the electronic system (SNAPR) within two to three business days, in most cases.

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Our Expert Shapinion – Fill-in-the-Blank-Sailings: How the %$#@ do I Budget in %$#@ 2021?!

Many of us have a calendar year budget, and we are being asked two very difficult questions right now:

1. How could you miss your 2020 ocean freight projections by a mile?
2. What can we expect for ocean freight spending in 2021?

If you happen to be a diligent follower of Shapiro's publications and webinars, you might already have plenty to say about #1; however, it's also likely that you have found #2 to be a real doozy.

Let's start with a look at bigger picture threats to your supply chain efficiency – these factors may not directly affect ocean freight costs, but they will slow your cargo and potentially create damaging and budget-thumping indirect costs…

Bigger Picture Uncertainties:

- COVID's global rebound and potential shutdowns
- American political and social unrest
- Cyberattacks
- Logistical realities of a global vaccine distribution
- On-going equipment shortages, port congestion, and chassis shortages

Please note that it is not our intention to demoralize any readers here – instead, it is crucial for all of us to build contingency plans and budget for them in 2021. As it stands today, the unprecedented events seen in 2020 are set to carry into at least half of the upcoming year.

With that in mind, here's a quick look at the demand side of the ocean freight equation…

Ocean Import Demand Factors:

- Consumer spending in the US has radically shifted from services to goods because of the pandemic
- Domestic spending is up more than 11% on durable goods in 2020 vs. 2019; this marks the largest single year increase on record
- Strong and continuous demand for shipments containing Personal Protective Equipment (PPE)
- Potential government stimulus plans – what should consumers expect?
- Next year's inventory levels are being managed and evaluated differently than they were in 2020

Although we are enduring the highest unemployment rate in a generation, pundits have already forecasted 2021 GDP to shrink by 3.5% in the US. On the flip side, the US savings rate has reached well over 10% for the first time in 20 years (this may be a good thing for families, but it lowers consumption). However, another huge question remains – how long can a spike in durable goods spending last? After all, purchases of home appliances, home furnishings, and exercise equipment tend to last a long time and therefore are not likely to represent the foundation for continued spikes in demand.

Now, it is time to shift over to the ocean freight supply side…

Ocean Import Supply Notes:

- As the steamship industry experiences a period of reinvention, it's become clear that capacity discipline is here to stay amongst the carriers
- Current alliance structures have proven agility through the routine deployment of blank sailings
- Presently, the Global Idle Fleet stands at 1.5% of total potential capacity; this has resulted in the smallest reading of this metric in over a decade
- New vessel orders/manufacturing are modest at best in the foreseeable future
- Moving ahead, the outlook on new vessel building is complicated by the uncertainties of carbon taxes/regulations

Now that we have outlined some of the key pieces of the 2021 Transpacific ocean freight puzzle, it is time to offer an indication of future rate levels…

Best Guesses for Transpacific Ocean Imports in 2021 (Current Speculations):

- Contract levels from Asia Base Ports to USEC – $3100 to $3400 per 40' HC
- Contract levels from Asia Base Ports to USWC – $2200 to $2400 per 40' HC
- Average spot rate costs – $500 higher than the above contract rate levels
- Chassis and free time negotiations will be tremendously amplified

Today, the spot market sits well over $2000 higher per container than contract rates. At the same time, a very large population of importers holding contracts have agreed to general rate increases (GRIs) and/or have moved some of their cargo to premium services. We see little evidence that the carriers will have an incentive to slash average net rates for contracts come next April and May. However, we believe that supply discipline will be the most significant factor when it comes time to guesstimate 2021 ocean freight levels.

While the demand picture is shaky at best for the upcoming year, our consensus is that we are headed for the largest contract rate "correction" since 1997. Should demand ebb, we believe that there could very well be a few months of solid bargain hunting awaiting us in the 2021 spot market horizon.

Interested in reading more articles like this in the future? You can sign-up to receive the next edition of Supply Chain Reactions via our Subscription Center. (And did we mention it's FREE?!)

SHAPIRO NEWS:

Employee of the Month:

As previously featured in Shap Talk, Shapiro has been sharing with you the names of employees who have been recognized for their exceptional efforts and contributions to our Company. At Shapiro, we continually work to develop, challenge, and inspire all of our employees to grow individually and with the Company.

This month, we would like to recognize **Aaron Dwyer, Global Logistics Specialist**.

Aaron is the type of person who always goes the extra mile for his fellow coworkers; he is also one to offer up ways in which we can enhance the customer service experience. Recently, he has managed to handle an influx of peak season shipments with ease, including HUGE air shipments for one of our bigger accounts. Aaron worked diligently with our agents around the world to ensure that our customer received their order in a timely manner and without any issues! Whether or not he is busy with his own work, Aaron always checks in to see if anyone else may need an extra hand. He is truly a team player and a great asset to Shapiro. Congratulations, and thank you, Aaron!

We encourage you to provide us with employee feedback! Please email us at hr@shapiro.com.