

OEC NEWS

OUR EXPERTISE YOUR ADVANTAGE

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TRADE WAR: IMPLICATIONS FOR GLOBAL TRADE

When the Office of the United States Trade Representative initiated Section 301 Tariffs on US imports from China in April of 2018, logistics and supply chain officials began forecasting the implications. In the year since, these actions amounted to an additional \$3.27 billion worth of duty collected by US Customs and Border Patrol.¹

Following the commencement of the ‘Trade War’ between the US and China, unusual shipping patterns arose causing rippling effects throughout US supply chains. From a global standpoint, US companies seeking sourcing outside of China are in the process of forcing trade to shift to primarily Southeast Asian manufacturers. Meanwhile, retaliatory tariffs on Chinese imports from the US caused a significant drop in US exports to China, raising concerns in the agricultural sector amongst others.



IMPACT ON DOMESTIC LOGISTICS

In trans-Pacific trade, Quarter 4 is typically characterized by overcapacity. However, many US importers braced for incoming tariffs by importing their Chinese cargo ahead of schedule last winter, a strategy known as frontloading, causing an import surge of 25% last December compared with the prior year.² The tremendous amount of

frontloaded cargo strained domestic ports, warehousing, and trucking alike.

Increased US import volumes coupled with reduced US exports caused a spike in the number of empty containers, or “empties” handled by US west coast ports. The Port of Los Angeles in January

of 2018 reported 2.52 million in empties while the Port of Long Beach tallied 2.47 million. All those empties amounted to cargo-less, non-revenue producing containers returning to Asia.

GLOBAL SUPPLY CHAIN IMPLICATIONS

US importers who began working towards diversifying their sourcing strategies last year contributed to a 350,000 TEU decrease in imports from China during the first half of 2019 compared to the prior year. That volume moved primarily to manufacturers in Southeast Asia among other East Asian countries, with Vietnam growing by 27% and Cambodia growing by 43% during the same period.²

Though US exports to China weakened by 26% in the first half of 2019 compared to the prior year, as a whole this sector did not decline drastically during the same period with exports to South Korea and Vietnam increasing by 22% and 18% respectively.²

While the impacts of tariffs between US and China reverberated through supply chains for the past year

and will continue to do so, the emerging trend is global sourcing diversification. We may anticipate another unusual fourth quarter as List 4B duty will increase on December 15th, though the effects will likely be milder than those witnessed last year.

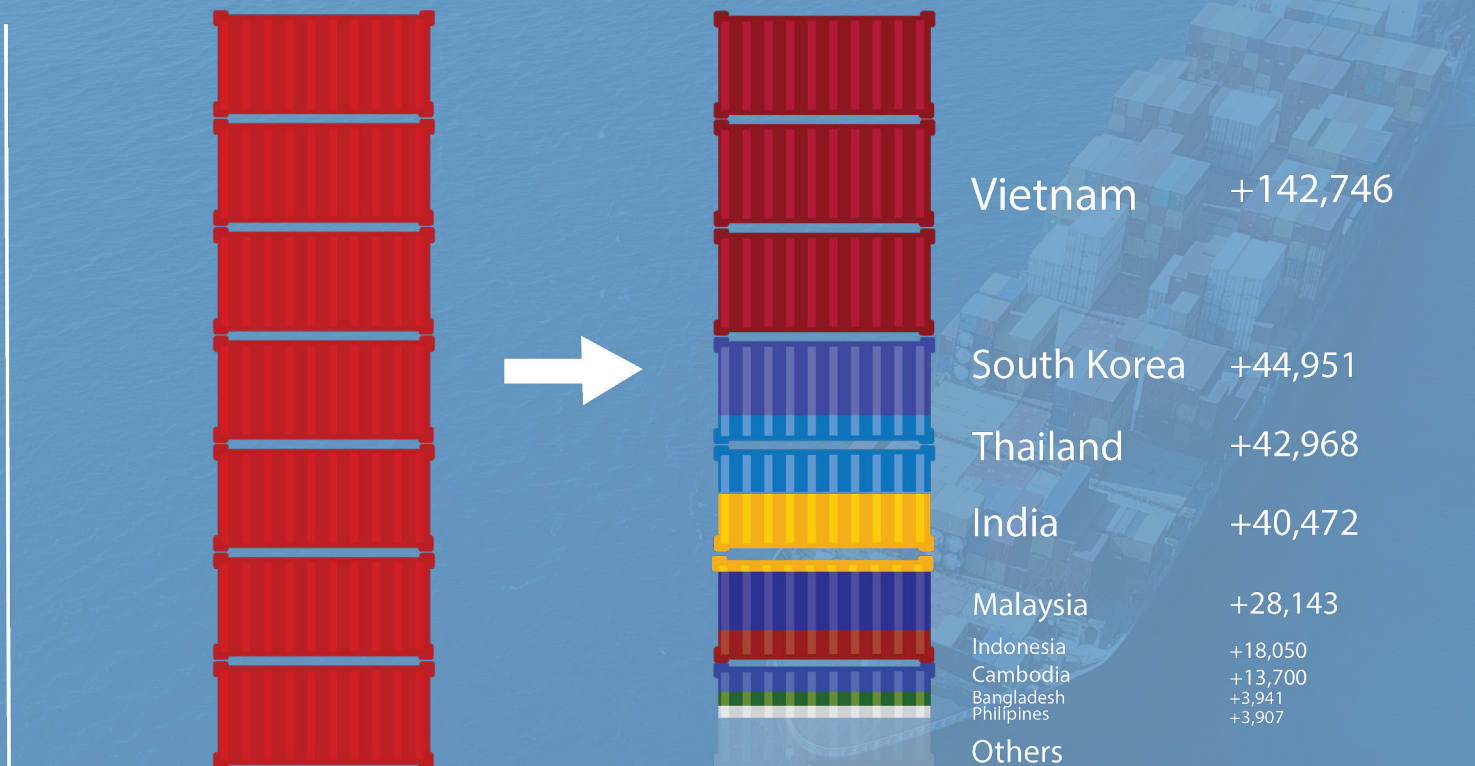
Source:

1. <https://panjiva.com/research/tariff-burden-sharing-by-chinese-exporters-rising-as-u-s-import-prices-fall/29512>
2. Datamyne

Tariffs Push US Importers to Find Alternate Sourcing in the First Half of 2019 Compared to 2018

-350,000 Fewer TEU imported by US from China in the first half of 2019

Alternate sourcing found by US Importers



5 WAYS SHIPPING BULK LIQUID

WITH FLEXITANKS SAVES YOU MONEY

1 LOWER POSITIONING COSTS

You can save **50%+** on package positioning cost compared with drums/IBC's per 20ft container. You also eliminate repositioning costs from shipping back an empty container.



2 LOWER LABOR AND LOADING COSTS

We all know that time is money. Loading and unloading times are reduced so the labor cost is significantly diminished.

SHIPPING METHOD	VOLUME	TIME
Drum	55 gallon	76 hours
IBC tank	1,000 liter	18 hours
Flexitank	20,000 liter	2.5 hours

NO CLEANING COST 3

Compared to ISO, which needs to be cleaned in order to avoid cross-contamination, the flexitank is a one-time use so there is no obligation to clean it.



4 NO NEED FOR INTERMEDIATE BULK STORAGE

Flexitanks are recycled or disposed of after use, so you will not incur any storage costs as you would with drums/IBC's.



YOU CAN DISPATCH MORE CARGO PER CONTAINER 5

Shipping with a flexitank enables shippers to dispatch about **30% more** than with drums, and about **15% more** cargo than with IBC's.



Source:
1. http://www.lafpac.net/product/LAF-Flexitank.html?gclid=EAlalQobChMI09erhszO5AIVaA_ICh2elw2kEAYASAAEgKcBvD_BwE
2. <http://www.flexitank-container.com/new/new-50-486.html>
3. https://www.ukpandi.com/fileadmin/uploads/uk-pi/LP%20Documents/Carefully_to_Carry/C2C_Articles_2018/Flexitanks.pdf

CHINESE NATIONAL DAY & GOLDEN WEEK

Chinese National Day and Golden Week begin on October 1st to commemorate the founding of the People's Republic of China.

Tourists in China spend \$90 billion on transportation alone during Golden Week.

This is one of the longest public holidays in China, making it a popular time to travel

On October 1st, celebratory parades and fireworks will begin. As the largest US fireworks supplier, China shipped 11,000 TEUs of fireworks to the US last year.

Although 7 of the 12 largest metro networks worldwide are in China, it's important to give shippers extra lead time during Golden Week due to increased traffic.

Source:

- <https://www.tripsavvy.com/golden-week-in-china-explained-1535672>
- <https://www.chinaeducationaltours.com/guide/china-national-day.htm>
- https://en.wikipedia.org/wiki/Transport_in_China
- Panjiva

A background image of a worker in a white hard hat and a high-visibility yellow vest, holding a handheld device, standing in a warehouse filled with stacked shipping containers. The containers are in shades of blue and red. The worker is seen from the side, looking at the device.

ABOUT OEC GROUP

At OEC Group, we have demonstrated our commitment to customer service in trans-Pacific trade for more than 35 years. Founded in 1981, OEC Group had a vision to provide comprehensive logistics services to clients. Today OEC Group serves destinations throughout the world and has grown into one of the leading logistics providers in North America. With over fifty offices worldwide, we take pride in being close to your cargo at all times.

OEC Group is monitoring and adapting to the changing market. We are well positioned to make continuous improvements to your supply chain using the fastest, most efficient and cost-effective services available. We work tirelessly to stay on top of the ever-changing logistics industry with the goal of delivering the most current information and services to you, our customer.

Our business is making our logistics expertise, your competitive advantage.