

# OEC NEWS

OUR EXPERTISE YOUR ADVANTAGE

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# TRADE WAR UPDATE

Beginning March 2018, the Section 301 Committee determined China was implementing laws, policies, and practices which negatively impacted American economic interests. Since then, the Office of the United States Trade Representative (USTR) announced a series of four tariff lists impacting U.S. imports from China. The fourth and final product list will impact \$300 billion in imports, sending the total value of affected U.S. imports from China to \$550 billion.

Recently, the USTR announced their intention to split Section 301 List 4 into two parts: List 4A, which will be effective September 1, and List 4B, which will be effective December 15. It's estimated that \$33 billion in apparel, shoes and hats will be subject to additional 10% duty under List 4<sup>1</sup>.

The United States Government has responded to retaliatory tariffs from China by threatening an additional 5% duty rate on the already impacted \$250 billion in imports by October 1, 2019, effectively raising the duty rate to 30%. Additionally, we may see a further 5% increase in the List 4A duty rate to 15% on September 1, 2019. Though this has not yet been published by the USTR, it may impact List 4A as early as Labor Day Weekend.<sup>2</sup>

Though some were hopeful the U.S. and China would reach an amicable settlement when they met at the G7 Summit this week, it is the consensus of experts that the 'trade war' continues and the USTR will likely publish an announcement validating these additional 5% duty increases in the coming weeks.





# IMPLICATIONS FOR INTERNATIONAL TRADE

In the year since the initial tariff announcement, importers began announcing their intentions to shift production away from China. Now, we are beginning to see some countries benefitting from this practice. Vietnam's exports to the United States increased 27% year over year in the first half of 2019. Similarly, the same period saw a 16% growth in imports from Thailand, 11% growth from India, and a 7% drop in imports from China.

While it's advantageous to importers to diversify sourcing, many challenges remain. Finding a replacement overnight for established factories, distribution network, and port technology in China is problematic. This is compounded considering countries in Southeast and South Asia, that only recently began investing heavily in their infrastructure, are increasingly driving American imports.

Source:

1. [https://www.wsj.com/articles/u-s-apparel-industry-works-to-blunt-impact-of-tariffs-1156629340?mod=djemlogistics\\_h](https://www.wsj.com/articles/u-s-apparel-industry-works-to-blunt-impact-of-tariffs-1156629340?mod=djemlogistics_h)
2. <https://www.nytimes.com/2019/08/23/business/china-tariffs-trump.html>

## Section 301 Tariff Lists link

- [List 1 \(Effective July 6, 2018\)](#)
- [List 2 \(Effective August 23, 2018\)](#)
- [List 3 \(Effective September 24, 2018\)](#)
- [USTR Announces Next Steps on Proposed 10 Percent Tariff on Imports from China](#)
- [List 4A \(Effective September 1, 2019\)](#)
- [List 4B \(Effective December 15, 2019\)](#)

2018 - 2019

## US - CHINA TRADE DISPUTE

Under the **Trade Act of 1974**, the U.S. President can use tariffs to influence foreign governments to discontinue any practice that violates international trade agreement or are unjustified, and that burden U.S. commerce

### SECTION 301 COMMITTEE

#### DETERMINATION

Section 301 Committee determined China has been implementing laws, policies and practices which negatively impact American economic interests on **March 22, 2018**

#### LIST 1 ANNOUNCED

USTR proposed List 1 of affected imports from China on **April 3, 2018**

#### LIST 1 EFFECTIVE

US imports from China totaling \$34 billion became subject to **25%** additional duty on **July 6, 2018**

#### LIST 2 EFFECTIVE

US imports from China totaling \$16 billion became subject to **25%** additional duty on **August 23, 2018**

#### LIST 3 DUTY INCREASE DELAYED

List 3 duty rate increase to **25%** was initially set for **January 1, 2019**, but was postponed until **March 1, 2019** due to improved dialogue between the US and China

#### LIST 4 ANNOUNCED

USTR proposed **List 4** of affected imports from China on **May 13, 2019**

#### LIST 4A EFFECTIVE

Part A of the remaining \$300 billion in imports from China entering the US on or after **September 1, 2019** are subject to **10%** additional duty

#### LIST 2 ANNOUNCED

USTR proposed List 2 of affected imports from China on **June 15, 2018**

#### LIST 3 ANNOUNCED

USTR proposed List 3 of affected imports from China on **July 10, 2018**

#### LIST 3 EFFECTIVE 10% DUTY

US imports from China totaling \$200 billion became subject to **10%** additional duty on **September 24, 2018**

#### LIST 3 DUTY INCREASE

Duty was increased to **25%** on List 3 affected imports on **May 10, 2019**. Unique to this list, USTR gave **10%** duty consideration to items **exported prior to the effective date**.

#### LIST 4 PUBLIC HEARING

Comment submissions due and first List 4 public hearing on **June 17, 2019**

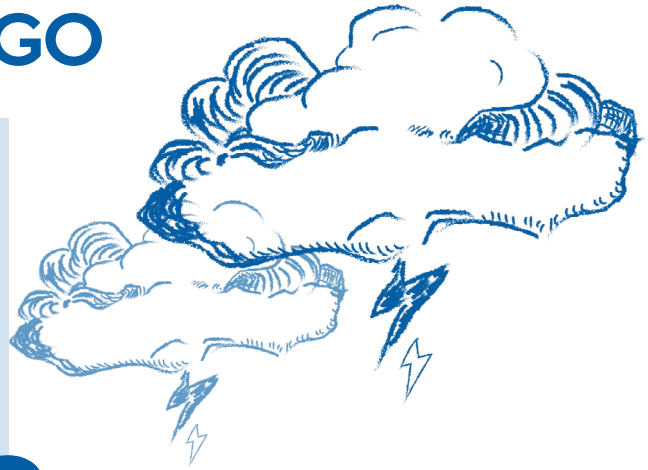
#### LIST 4B EFFECTIVE

Part B of the remaining \$300 billion in imports from China entering the US on or after **December 15, 2019** are subject to **10%** additional duty

# 5 REASONS TO CONSIDER INSURING YOUR CARGO

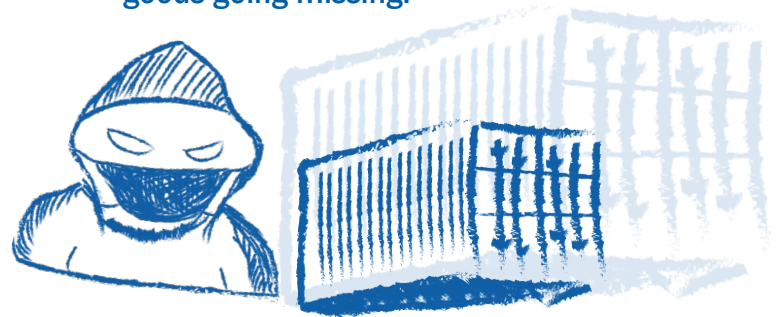
## 1 EXTREME WEATHER

Last September, Hurricane Florence disrupted several US east coast ports and caused damaged to cargo. With hurricane and typhoon seasons upon us, sleep soundly knowing your cargo is covered in the event of weather related injury.



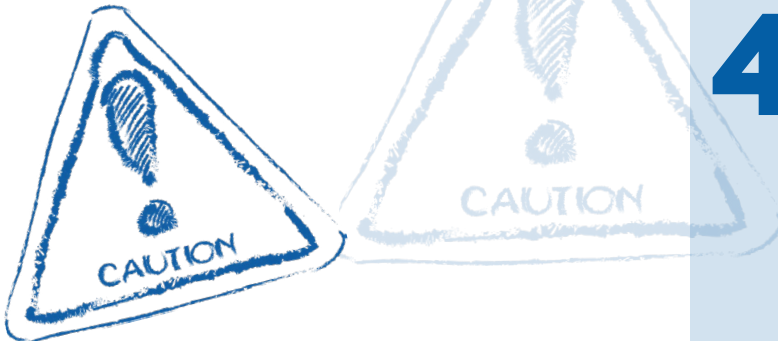
## 2 CARGO THEFT

During the second quarter of 2019, an estimated \$22.9 million worth of cargo was stolen across the United States and Canada.<sup>1</sup> Insurance can help mitigate the risk of your goods going missing.



## 3 EXPEDITE YOUR CARGO RELEASE

When a carrier declares General Average, the cargo owner is required to pay a General Average Contribution before the cargo can be released. In the case fire on board, like on the Yantian Express early this year, shippers had to pay 60% of their cargo's value prior to obtaining release for their cargo. Our All Risk Insurance covers contribution to General Average and expedites your cargo release.



## 4 TYPICAL DAMAGES

Claims for damaged goods contributed nearly a quarter of marine insurance claims in 2018 and can occur for several reasons including water, stolen cargo, containers overboard, rough handling in LCL shipments, road accidents, and heavy weather.<sup>2</sup> These factors can render your cargo worthless upon arrival.

## 5 CUSTOMS EXAMS

When dealing with Customs, the number of inspections due to the ongoing trade war is increasing. Neither Customs, nor the Customs Exam warehouse sites are responsible for damages to the goods during Customs inspections at origin or destination, but our All Risk Insurance covers this type of damage.



Source:

1. <https://www.ajot.com/news/second-quarter-2019-cargo-theft-trends-analysis>
2. <https://www.agcs.allianz.com/news-and-insights/expert-risk-articles/global-claims-review-2018-marine-claims-trends.html>



# Fun Facts of

# LABOR DAY



The first celebrated US Labor Day was on **Tuesday, September 5, 1882**, in New York City. **10,000 workers** took unpaid time off marched from City Hall all the way to 42nd Street to meet with their families in Wendel's Elm Park for a picnic, concert, and speeches.



Americans celebrate Labor Day on the first Monday in September. In most of Europe and China, **May 1st** is the day working people are honored.

New York has the **highest** rate of union workers among the states, with **23.8%** in 2017. South Carolina has the lowest, with **2.6%** in 2017.

## In 1887

Oregon became the first state to declare Labor Day a legal holiday.



**In the 70s**, the Labor Department was one of the early federal agencies to allow female workers to dress in pants, thanks to Elizabeth Duncan Koontz, director of the Women's Bureau and advocate for women's rights. The trend quickly caught on.



**No more white after Labor Day!**



For many, Labor Day signifies the last day of vacation before the start of the new school year and the unofficial

end of summer. In the old days many upper-class citizens would pack away their lightweight, white summer clothes as they returned to work and school, creating the expression

**'no white after Labor Day'.**

- Source:
- (The Library of Congress American Memory. "The First Labor Day." January 20, 2011. Web Accessed November 4, 2014.)
  - <https://www.cnn.com/2013/06/14/us/labor-day-fast-facts/index.html>
  - <https://www.bls.gov/news.release/union2.nr0.htm>
  - <https://blog.dol.gov/2016/03/03/10-things-you-didnt-know-about-the-labor-department>
  - <https://www.sporcle.com/blog/2017/09/labor-day-facts/>

A photograph of a worker in a white hard hat and a high-visibility yellow safety vest, seen from the side, using a handheld electronic device. The background shows a warehouse or port area with numerous stacked shipping containers in various colors (red, blue, white).

# 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.