

# OEC NEWS

OUR EXPERTISE YOUR ADVANTAGE

**SECTION 301 TRADE  
DISPUTE CONTINUES**

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**5 THINGS YOU NEED  
TO KNOW FOR OCEAN  
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OEC GROUP**

# TRADE WAR - TARIFFS

## THE SECTION 301 TRADE DISPUTE CONTINUES

### *US – China Trade Dispute Continues*

Officially commencing in March 2018 when the Office of the United States Trade Representative (USTR) concluded trade policies practiced by China were damaging to the United States government, the dispute

between the two global powers has greatly shaped international trade over the past year. Retaliatory tariffs implemented by the United States and China alike have not only unsettled seasonal trans-Pacific

trade patterns but have also caused importers to take a deeper look into their supply chains and reexamine their sourcing decisions.

### *Impact on Trade*

Many importers in the United States braced for incoming tariffs by bringing their Chinese cargo into the country ahead of schedule, a process also referred to as frontloading. This drastically affected trade patterns in the fourth quarter of 2018, a time traditionally categorized by excess steamship line capacity and limited demand. In contrast with historical shipping trends, US imports from China witnessed a 25% increase in December cargo volume compared with the prior year. With the rise in import volumes and lower export volumes in the Asian trades, West Coast ports witnessed a spike in the number of empty containers,

or “empties” handled. The Port of Los Angeles in 2018 reported 2.52 million in empties while the Port of Long Beach tallied 2.47 million. For a point of comparison, the empties alone would rank the Port of Los Angeles 9th and Port Long Beach 10th among U.S. container ports. The result of all those empties are cargo-less, non-revenue producing containers returning to Asia.

The implementation of these tariffs has many importers reevaluating their supply chains and considering moving production from China, elsewhere. Among some of the top replacements for China are Southeast Asian countries. Recent

investments to improve supply chain infrastructure in countries such as Vietnam, where FDI (Foreign Direct Investment) are pouring in to build manufacturing facilities and major multinationals like Intel, Samsung and LG have all recently invested. Vietnam is also growing its airline to include direct flights to the United States, proving this region is preparing for the possibility of American importers restructuring their supply chains.

## Section 301 Tariffs

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. In April 2018, the USTR proposed the initial round of tariffs, referred to as List 1, impacting \$34 billion in primarily industrial imports to the United States from China. Three months later, before List 1 was finalized, the USTR proposed the second list of tariffs. The combined List 1 and 2 imposed a 25% duty rate on principally industrial imports totaling \$50 billion in goods from China.

In September of 2018, List 3 duties became effective, targeting \$200 billion in consumer products. The initial duty rate of 10% was anticipated to increase to 25% on January 1, 2019. However, due to improved dialogue and successful trade negotiations between Presidents Trump and Xi Jinping, the increase was later postponed and only came into effect on May 10, 2019, after it was clear negotiations were not progressing. List 4 was then announced immediately after on May 13. When finalized, this round of tariffs will affect \$300 billion in imports from China at a duty rate of up to 25%. The implementation date for the new duty has yet to be announced by the USTR but based on prior experience with Lists 2 and 3, we anticipate it could be about 25 days after the conclusion of the public hearings, which will begin on June 17.



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 2 ANNOUNCED

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

## LIST 1 EFFECTIVE

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

## LIST 3 ANNOUNCED

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

## LIST 2 EFFECTIVE

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

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

## LIST 4 PUBLIC HEARING

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

## LIST 4 EFFECTIVE

To be announced by USTR. Lists 2 and 3 were implemented about **25 days after** the conclusion of their respective hearings.

# 5 THINGS YOU NEED TO KNOW FOR OCEAN EXPORT

## 1 COMMODITY

Import regulations vary from country to country, even for the same commodity. Prior to shipping, exporters should confirm with their freight forwarder that they're not missing additional documentation, such as special licenses or consignee approval.

## 2 COMMERCIAL INVOICE & PACKING LIST

The commercial invoice is one of the most important documents because it provides critical information and instructions to all parties involved, including the buyer, freight forwarder, U.S. and foreign customs, import broker, bank, and carrier. Similar to a shipping list, a packing list itemizes the goods being transported, explains packaging details including how packages are numbered and their dimensions, and it is also used to prepare the Bill of Lading.

<https://grow.exim.gov/blog/ten-common-export-documents-you-should-know-about>

## 3 AUTOMATED EXPORT SYSTEM (AES)

U.S. Foreign Trade Regulations require an AES filing for exports to any country other than Canada if the value of the exported goods grouped by Schedule B number or Harmonized Tariff Schedule (HTS) code is more than \$2,500, or if the goods require an export license. Prior to exporting, shippers must provide applicable HTS codes to freight forwarders in order to file AES.

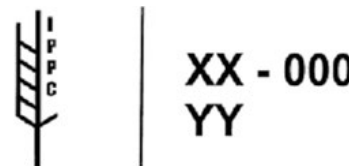
<https://www.cbp.gov/sites/default/files/assets/documents/2016-Mar/AES%20Key%20Words%20Document.pdf>

## 4 ISPM15 – HEAT TREATED / FUMIGATED PALLETS

International Standards for Phytosanitary Measures No. 15 (ISPM 15) requires compliant shipping pallets be pre-treated with heat or fumigation. All freight shipping from the USA will be checked for compliance with ISPM 15 prior to departure and could be re-checked at time of entry when entering a country that recognizes this standard. Shippers are responsible for ensuring their freight is properly packed on compliant pallets to avoid delays and the need for repackaging.

## 5 DOCK RECEIPTS

Dock receipts are generated as proof of successful delivery of goods to the international carrier for LCL shipments. The package dimensions showed on dock receipts will match those on the Bill of Lading and act as the basis of final charges.



XX represents the ISO country code.  
000 represents the unique number assigned by the national plant protection organization.  
YY represents either HT for heat treatment or MB for methyl bromide fumigation.



# Memorial Day



60%



of Americans plan to BBQ over Memorial Day Weekend

According to AAA estimates, more than 36 million people traveled at least 50 miles from home to celebrate Memorial Day Weekend in 2018



89% travel by Car



7% travel by Air



4% made other travel arrangements



Congress passed a law requiring Americans to pause at 3 P.M. on Memorial Day to commemorate fallen veterans. This does not appear to be common knowledge or,



it's possible that by 3 P.M., most people are too deep into a hot dog induced coma to observe the moment of silence.



818

Hot Dogs are consumed every second from Memorial Day to Labor Day

weighing around 1.5 billions lbs., that many hot dogs can fill over

33,000

40 ft. containers



Source:  
<http://time.com/110697/memorial-day-facts/>  
<https://www.americaninno.com/boston/boston-memorial-day-weekend-traffic-aaa-predicts-record-travelers-in-10-years/>  
[http://hot-dog.org/press/Season\\_of\\_Seven\\_Billion\\_Hot\\_Dogs\\_Begins](http://hot-dog.org/press/Season_of_Seven_Billion_Hot_Dogs_Begins)  
<http://metrocosm.com/hot-dog-eating/>

A large-scale photograph of a busy port. In the foreground, there are stacks of blue and white shipping containers. In the middle ground, a large red and white cargo ship is docked at a pier. Several large red gantry cranes are visible, used for loading and unloading cargo from the ship. The background shows a body of water and some distant buildings under a clear sky.

# 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.