January 4 2021 • Vol 22 • Issue 1
$25.00
www.joc.com

IHS Markit

The Journal of Commerce

2021 ANNUAL REVIEW & OUTLOOK

New twists, risky turns

Logistics managers at the epicenter of make-or-break decisions in 2021

TPM21: 25 February – 3 March 2021 | A Virtual TPM Experience

Sandler, Travis & Rosenberg, P.A.

Beth C. Ring, Esq.

Senior Member
strtrade.com

> "Almost every US industry has had to bear the dislocations occasioned by the Trump administration's unilateral trade war against China."

While US President-elect Joe Biden is widely expected to improve diplomatic relations with China and tone down the harsh rhetoric used by the Trump administration, the tariffs on $370 billion in Chinese imports are not likely to be changed early in his administration, due to the growing distrust of China among the public and members of both parties in Congress.

But Biden's advisors have indicated a willingness to relax the tariffs, especially where US manufacturers have been hurt. Biden also sees the mending of relations with our European allies as a way to increase pressure on China.

The early lifting of the 232 tariffs on steel and aluminum from most countries that Trump imposed based on "national security" grounds, for example, is likely to facilitate such united efforts, with respect not only to China's economic policies but also to their flagrant human rights violations against the Uyghurs in Xinjiang, following reports of detention camps and forced labor.

With very few exceptions, almost every US industry has had to bear the increased costs, lost profits, employee layoffs, and other dislocations occasioned by the Trump administration's unilateral trade war against China in the form of increased tariffs up to 25 percent.

There is no question that for many years China has engaged in sustained unfair trade practices in the form of intellectual property theft, forced joint venture arrangements, massive state subsidies to targeted industries, and limited market access. Ever since China joined the World Trade Organization in 1991, there has always been skepticism that China would live up to its obligations to operate by fair and transparent trading rules.

However, as China's economy grew and became the world's primary manufacturing center, companies in the United States and most other Western nations became increasingly dependent on the lower costs and efficiencies in sourcing virtually everything from bedroom slippers to heavy equipment there. The political will to deal with China on a macro basis was thus tempered by this increasing economic reality.

In reaction to increasing imports, job losses to outsourced manufacturing, and shifts in US production capacity, individual industries launched a barrage of antidumping and countervailing duty cases against imports from China, usually resulting in additional duties of more than 300 percent. There are currently antidumping and countervailing duty orders outstanding on 142 products from China, everything from steel to chemicals to pencils to paper clips. This piecemeal approach to fighting China's trade practices has been seen as ineffective in stopping the Chinese regime's more egregious policies. The Obama administration engaged in negotiation of the Trans-Pacific Partnership (TPP), a multi-party free trade agreement, as a counterweight to the growth of Chinese economic strength among its Asian neighbors, but the agreement hit a brick wall in Congress.

President Trump's campaign to reverse all trade policies of his predecessors and return the country to its early-twentieth century protectionist and isolationist postures won him election and support among a large segment of the US population. However, the blunt force instrument of punitive tariffs, borne directly by US importers and indirectly by US manufacturers, downstream distributors, and consumers, exacerbated by the explosion of the COVID-19 pandemic in the US, has been questioned by many as the best policy for dealing with China's behavior. While China's exports to the US by 2019 declined to their lowest level since 2012 in the face of the tariffs, US exports to China also declined when China retaliated against US imports of soybeans, oil, and motor vehicles.

The escalating trade war caused economic pain on both sides and led to trade flows away from both China and the United States. For example, with tariffs cutting into their bottom lines, manufacturers have relocated operations to countries like Vietnam, Indonesia, and Mexico. A spokesperson for the American Farm Bureau stated that "farmers have lost the vast majority of what was once a $24 billion market in China." This notwithstanding Trump's relatively paltry financial subsidies to the US farm industry.

As the trade war dragged on, China lowered its tariffs for its other trading partners as it reduced its reliance on the US market. Trump lauded his "historic" phase one trade deal with Beijing at the end of 2019, which largely resembled the offer China had made from the start — i.e., increased agriculture purchases plus commitments on improved intellectual property protection, currency, and forced technology transfer, which due to the pandemic-induced recession have not yielded promising results.

However, missing from the deal was any movement on state subsidies and China's use of industrial policies to advantage its own firms over foreign competitors, and market access outside the financial sector. Progress on these issues was put off for a "phase two" negotiation that Trump said was not under consideration.

---

adopt collaborative approaches, and enhance stakeholder preparedness in these ways:

Recovery by reinforcing collaboration: Enhanced coordination with other national agencies, together with the promotion of collaborative actions and partnerships with the private osector, will be at the heart of customs' approaches to smooth the path towards global recovery in the wake of the COVID-19 pandemic. To this end, coordinated border management and Authorized Economic Operator (AEO) programs, supported by WCO reference documents such as the AEO Compendium and Mutual Recognition Arrangement/Agreement Strategy Guide, will be instrumental.

Renewal by harnessing technology: The way customs administrations clear goods at borders should be considered from a fresh perspective. Clearance processes could be further digitized by integrating technology into the