



June 1, 2020

End of Hong Kong's Special Status to Affect Tariffs, Export Controls, Perhaps Wider China Trade

President Donald Trump said the administration will begin the process of revoking Hong Kong's special status, including the fact that it's treated more leniently from China with regard to "export controls on dual-use technologies, with few exceptions." He said Hong Kong would no longer be treated as a separate customs territory, but gave no details during the May 29 press conference about how long it would be until the changes take effect.

Secretary of State Mike Pompeo had made a statement May 27 to Congress that Hong Kong no longer warrants the same treatment under U.S. laws as it did before the handover to China in 1997. "No reasonable person can assert today that Hong Kong maintains a high degree of autonomy from China, given facts on the ground," he said.

Sidley Austin customs lawyer Ted Murphy said while the press conference was short on details, it's still "momentous." Murphy [wrote](#) to clients: "He will be directing his administration to begin the process of eliminating policy exemptions that underpin Hong Kong's separate status. This will impact all aspects of the US-HK relationship, including immigration, extradition, customs, export controls, etc. ... We expect that an Executive Order will be issued shortly."

USTR to Create New Online Portal for Section 301 EU Tariffs

The Office of the U.S. Trade Representative is creating a new online portal for comments on the Section 301 retaliatory tariffs imposed on products of the European Union in connection with the World Trade Organization dispute on Airbus subsidies, it said in a [notice](#). USTR is required to revise the tariffs every 180 days "unless certain conditions are met," and received nearly 26,000 comments prior to its last round of revisions. USTR's notice seeks emergency clearance from the Office of Management and Budget to create the portal. The next round of revisions is due Aug. 12, and USTR anticipates that it would begin accepting comments via the new portal on June 23, it said.

Grassley Says Section 232 Reform Probably Cannot Move Before Election Day

Senate Finance Committee Chairman Chuck Grassley, R-Iowa, said his desire to give Congress more power to determine when national security tariffs are warranted is stymied by a lack of votes in his committee.

"Maybe two, three months ago I said to my members on my committee, 'I want to move forward on [Section] 232 just in regular order,'" he said to reporters May 28. That means he would not work out a compromise between competing approaches from Sen. Rob Portman, R-Ohio, and Sen. Pat Toomey, R-Pa., but instead, see where consensus could form through votes on amendments to a draft.

But, Grassley said, he told them: "I don't want to move forward unless we're actually going to get a bill out of committee," and he realized there aren't the votes to do so. "It's difficult to get bipartisan agreement on what to do," he said, and some Republicans don't want to vote for reform because they don't want to be seen as "anti-Trump," he said.

Grassley also touched on tariff deferral on the call. He said he supports another round of tariff deferral for importers, but that he has not pushed for that to happen with the administration yet. "If it is necessary for me to speak [to the Treasury secretary], I will do that," he said. His counterpart in the House of Representatives, Ways and Means Committee Chairman Richard Neal, D-Mass., told International Trade Today that he's been pressing the U.S. trade representative for another period of deferral.

Grassley said he had a short conversation on the phone with President Donald Trump, asking if higher tension with China will interfere with the phase one trade deal. "In some people's minds, China ought to suffer, and we ought to stop trading with China. But you can imagine what that would do to agriculture," he said. "Even though we have trouble with China now, between the World Health Organization, and their lack of transparency over how they handled the [novel corona]virus, that shouldn't interfere with trade," he said is his view, as expressed to Trump. "I was very satisfied with his answer" to that, he added.

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Forced Labor Investigations Will Become More Common, Industry Expert Advises

The number of withhold release orders for goods that are allegedly made with forced labor has climbed sharply in the last five years, and Columbia Sportswear's director of global customs and trade said importers should expect that trend to accelerate. Katie Tangman, who was speaking May 20 during the online convention of the National Association of Foreign-Trade Zones, said traders should expect other countries to pass import bans on goods made from forced labor. While the U.S. is the only country with such a law at this point, Mexico and Canada will be passing bans as part of the U.S.-Mexico-Canada Agreement, she said, and pressure is building in the European Union to act, too.

Tangman said that typically, a non-profit identifies problems with forced labor in one area, then newspapers pick up on the story, then politicians get involved, then CBP investigates. She noted that in March, Congress directed CBP to investigate goods made in Xinjiang, the home province in China of Uighurs. A recent WRO applied to a company in that province.

She also showed headlines about the trend of Uighur people who had been in re-education camps being sent hundreds or thousands of miles away to factories in other parts of China. Even when those workers are paid, the fact that they are sent against their will to other parts of the country means it's forced labor under U.S. law. She said that CBP relies on input from the Bureau of International Labor Affairs (commonly known as ILAB), and that a few days earlier, ILAB said it's starting to list goods that have components made with forced labor, even if the final assembly was not compromised by forced labor.

With the global COVID-19 pandemic, importers' risk is increasing, she said, because there are supply chain changes, and companies you have worked with for years may be subcontracting because they don't have the capacity to produce what they planned.

Tangman said NAFTAZ asked CBP for guidance back in February on how WROs affect goods that are in FTZs, and therefore, have not yet entered into commerce. If the inputs or goods that have been identified as made with forced labor entered the FTZ before the WRO was issued, is it OK for them to be sold? Can those goods stay in the FTZ for 90 days while a company is trying to prove that the goods should not be subject to a WRO? She said they have not received an answer to either question yet.

US, UK Look to Continue 'Accelerated' Trade Talks

Top U.S. and United Kingdom officials will begin a second round of virtual trade negotiations June 15 as both sides continue to push for a quickly completed deal, the U.K. [said](#) May 18. The first round of talks, which ended last week, included discussions on customs procedures, rules of origin, trade remedies and small to medium-sized businesses. Negotiators from both sides will continue meeting virtually on a "rolling basis" until the second round begins, the U.K. added.

AGOA Comments Invited by USTR

The Office of the U.S. Trade Representative will not hold public hearings on whether African Growth and Opportunity Act countries should have changes to their eligibility for the preference program, but is [welcoming](#) written comments by June 24. The AGOA Implementation Subcommittee of the Trade Policy Staff Committee will respond with its questions by July 7. Responses are due by July 16, and other parties can also respond. Follow-up questions from the subcommittee will come by Aug. 4, and final responses will be due Aug. 13.

Bipartisan Bill Introduced to Require Country of Origin Labeling for Online Products

Two Senate Democrats and two Republicans recently introduced a [bill](#) that would require that for products sold online, there be clear disclosure of where the seller is located, and that those products have country-of-origin labeling. The bill is directed at concerns about listings that misleadingly suggest or say that the products are domestic. The bill was introduced May 13 by Sens. Tammy Baldwin, D-Wis.; Rick Scott, R-Fla.; Chris Murphy, D-Conn.; and Kelly Loeffler, R-Ga.

FDA Extends VQIP Application Deadline to July 31

The Food and Drug Administration has extended the application period for fiscal year 2021 participation in the Voluntary Qualified Importer Program through July 31, it said on its [website](#). "The application period is being extended because the FDA understands that current travel restrictions and advisories related to the COVID-19 public health emergency have hindered the ability of accredited Certification Bodies (CBs) to conduct onsite regulatory audits and issue certifications to foreign entities, which are required as part of the VQIP application," FDA said. The application period had been set to end May 31.

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