



January 1, 2020

### China Phase One Trade Deal to Be Signed Jan. 15

President Donald Trump tweeted that he will sign “our very large and comprehensive Phase One Trade Deal with China on January 15” at the White House. “High level representatives of China will be present” and Trump is planning to go to Beijing “at a later date” to begin talks around Phase Two, he said. As part of the phase one deal, the Section 301 tariffs on List 4a, which are at 15 percent and apply to about 3,800 8-digit tariff lines, will go to 7.5 percent, though no date for that change has been announced. CBP “is prepared to implement tariff reductions under Phase 1 of the trade deal with China once further guidance and clarification is received from USTR,” a CBP spokesman said. The Office of the U.S. Trade Representative did not respond to a question about when the tariff reduction would go into effect. The USTR previously said that China has committed to buying \$200 billion in American goods annually above historic purchase levels.

### USMCA Passes in House With Huge Margin

The U.S.-Mexico-Canada Agreement passed in the House of Representatives with a vote of 385-41, with all but two Republicans and 193 Democrats voting yes. This was the biggest vote for a free trade deal in the House since the Canada Free Trade agreement in 1988, and many of the top Democrats in the House say it will serve as a template for future trade deals. It was a far more resounding “yes” than the original NAFTA vote of 234-200, when just 102 Democrats voted yes. The bill heads to the Senate, where Finance Committee Chairman Chuck Grassley, R-Iowa, said the committee will hold a mock markup on Jan. 7. “This markup will move us closer to ratifying USMCA in early 2020,” Grassley said Dec. 20. “Farmers, manufacturers and all American workers will soon be able to benefit from a stronger and modernized trade agreement with Canada and Mexico.” The mock markup cannot change anything about the implementing bill, under fast track rules. A Senate vote could be delayed by weeks, as the Senate majority leader says it will have to wait until after the impeachment trial, which is expected to take at least two weeks. However, the timing of the impeachment trial is not yet clear.

### CBP's Risk-Based STBs for New Importers Now Scheduled for March 2020, Though Hurdles Remain

CBP is hoping to begin its risk-based bonding program for new importers of merchandise subject to antidumping and countervailing duties in March 2020, but there still remain some thorny issues that need to be ironed out. The agency is still working on ACE enhancements, including identifiers and queries for new importers, said Lisa Gelsomino, of Avalon Risk Management, at the Dec. 4 COAC meeting.

CBP is also grappling with how to set up a program that “will withstand judicial scrutiny,” John Leonard, CBP executive director-trade policy and programs, said at the meeting. According to a CBP [report](#) posted ahead of the COAC meeting, “the Court of International Trade (CIT) has been clear in past rulings that adjustments to bond amounts must be based on an actual assessment of the importer's likelihood/ability to pay and not just raised because there is the mere possibility that Antidumping/Countervailing Duty (AD/CVD) deposit rates could change.”

CBP says it will base single transaction bond (STB) amounts under the program on the total entry or line value, multiplied by the “total of any risk factor multipliers.” The agency “continues to refine risk factors and associated multipliers,” and will announce them in a Federal Register notice announcing the new risk-based bonding framework, said the [report](#), which is dated Nov. 14.

Among the issues CBP is working to address in ACE are flagging for new importers that would be subject to risk-based bonding for AD/CVD shipments, as well as rejects for entries from importers that require an STB under the program but don't have one. CBP is also trying to figure out how to base STB amounts on only the value of entry lines subject to AD/CV duties, rather than the total value of the goods at the time of cargo release. “CBP understands the concerns from the trade and are reviewing the policy. However, CBP is limited to calculating the STB at the time of Cargo Release and the data available at that time,” according to another [document](#) posted ahead of the COAC by industry members. “CBP continues to implement ACE enhancement to support line level validations.”

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## CBP Withdraws Controversial Proposed Ruling Revocation on 50/50 Fiber Blends

CBP decided not to go forward with its proposed ruling revocation on garments with 50/50 blends of fiber, the agency [said](#) in its Dec. 11 Customs Bulletin ([Vol 53, No. 45](#)). CBP's proposal involved garments made with 50/50 fiber blends and the basis for classifying such garments. "Upon reconsideration of the matter, CBP has determined that no revocation is appropriate. Accordingly, we have determined that the tariff classification of the garments under consideration in the rulings at issue in the April 3, 2019 Customs Bulletin Notice will remain as determined in those rulings." Generally, 50/50 garments have been classified in the tariff subheading for component material that falls last within that garment's heading. Under the proposal, the tariff classification of the fibers in the 50/50 blend are first considered (e.g., cotton of chapter 52 versus man-made filaments of chapter 54), then the entire garment is classified according to whichever of those constituent fibers in the 50/50 blend is classified last in numerical order. That change was seen as a major shift in classification policy. "Commenters argued that the proposed revocation was contrary to the sound interpretation of the" tariff schedule, CBP said.

## Ways and Means Committee Chairman Asks ITC to Investigate Foreign Seafood

House Ways and Means Committee Chairman Richard Neal, D-Mass., and Trade Subcommittee Chairman Earl Blumenauer, D-Ore., have [requested](#) that the International Trade Commission study how American fishermen are affected by imports of fish caught illegally or in places where there are no regulations on fish. They are asking for a report to be completed within a year, and want to know how much unregulated or illegally harvested fish enters the United States; who are the biggest global exporters of fish not subject to regulations or illegally harvested; and what these imports do to prices in the U.S.

## USTR Seeking Comments on Extending Second Section 301 Exclusions Past March 25

The Office of the U.S. Trade Representative will ask for comments on whether the second set of tariff exclusions on Chinese imports on Section 301 List 1, set to expire March 25, should last another year, it said in a [notice](#) on its website. The agency will start accepting comments on the extensions in docket number USTR-2019-0024 on Jan. 15. The comments are due by Feb. 15, it said.

## Plans for MID Replacement Deserve Wider Review by Industry, AAEI's Rowden Says

CBP's plans to replace the manufacturer/shipper identification code (MID) with a Global Business Identifier ought to be circulated further as it considers taking action, said American Association of Exporters and Importers CEO Marianne Rowden at the Dec. 4 COAC meeting. Rowden spoke during the public comments portion of the meeting after a working group offered suggestions for how CBP should go about considering [options](#) for the MID replacement. The agency should "go slow on this issue," she said. CBP should consider that there's a wider universe of affected parties now, such as very small e-commerce companies, and that many countries already rely on value-added tax numbers, she said.

## Bipartisan Bill Aims to Stop Imports of Two-Step Counterfeit Shoes and Apparel

Sen. Thom Tillis, R-N.C., Sen. Bill Cassidy, R-La., Sen. Chris Coons, D-Del., and Sen. Mazie Hirono, D-Hawaii, introduced a [bill](#) Dec. 5 that would give CBP the authority to seize imported merchandise that is not using other companies' trademarks but is otherwise identical to a branded product. The Footwear Distributors and Retailers of America [hailed](#) the bill. "Relying on seizures based on just trademark rights is no longer effective. Counterfeiters around the world have become more creative, shipping identical looking products without the trademark and then attaching traditional trademarks after it clears U.S. customs," FDRA said. Margo Fowler, chief intellectual property officer for Nike, said the bill would help CBP "to identify and seize intended counterfeits that copy Nike's products protected by U.S. design patents."

## House Members Ask USTR to Prioritize Taiwan FTA

A bipartisan group of 161 House members are asking U.S. Trade Representative Robert Lighthizer to open negotiations for a free trade deal with Taiwan. The letter, sent Dec. 19, was led by Rep. Steve Chabot, R-Ohio, Rep. Albio Sires, D-N.J., Rep. Mario Diaz-Balart, R-Fla., and Rep. Gerry Connolly, D-Va. "Taiwan is a longstanding ally and a like-minded partner in the Indo-Pacific region that upholds and shares our values. Taiwan is our 11th largest trading partner worldwide, the 8th largest export market for U.S. agricultural products, a major purchaser of U.S. LNG exports, and the supplier of a significant amount of the semiconductors used by our manufacturers in their finished goods," they said.

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