



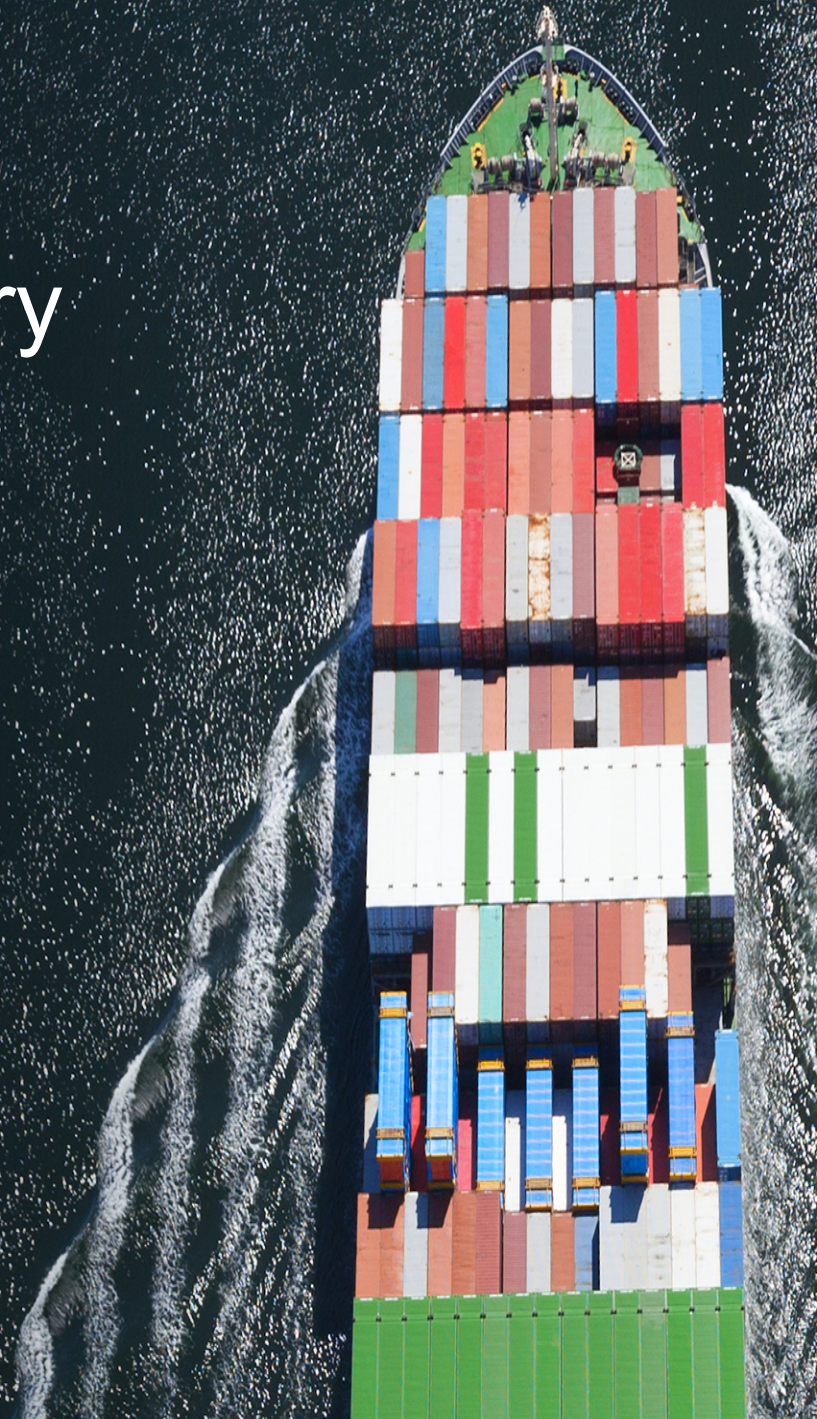
2020 Global Regulatory Landscape Review

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The Trade Environment Today

Export Restrictions



- Executive orders to investigate trade related matters
- Sanctions against Hong Kong
- Expanded requirements for end use/end user exports to China
- Enhanced review of emerging/foundational technology
- Trade enforcement

Increased Enforcement



- Increased scrutiny of export compliance and key controls
- Increased customs audit of classification, country-of-origin and value
- False Claims Act enforcement

Social Compliance - Forced Labor



- Responsibility to identify and manage human rights issues
- CBP has stated that they are placing increased focus on forced labor
- Increased investigations



Trade Remedy Tariffs



- Section 301 tariffs on products from China, EU and France
- Proposed Section 301 tariffs against EU, IN, ID, BR, VT and other European countries
- Section 232 tariffs in place
- Increased ADD/CVD orders
- Exclusions expiring

COVID-19 Impact

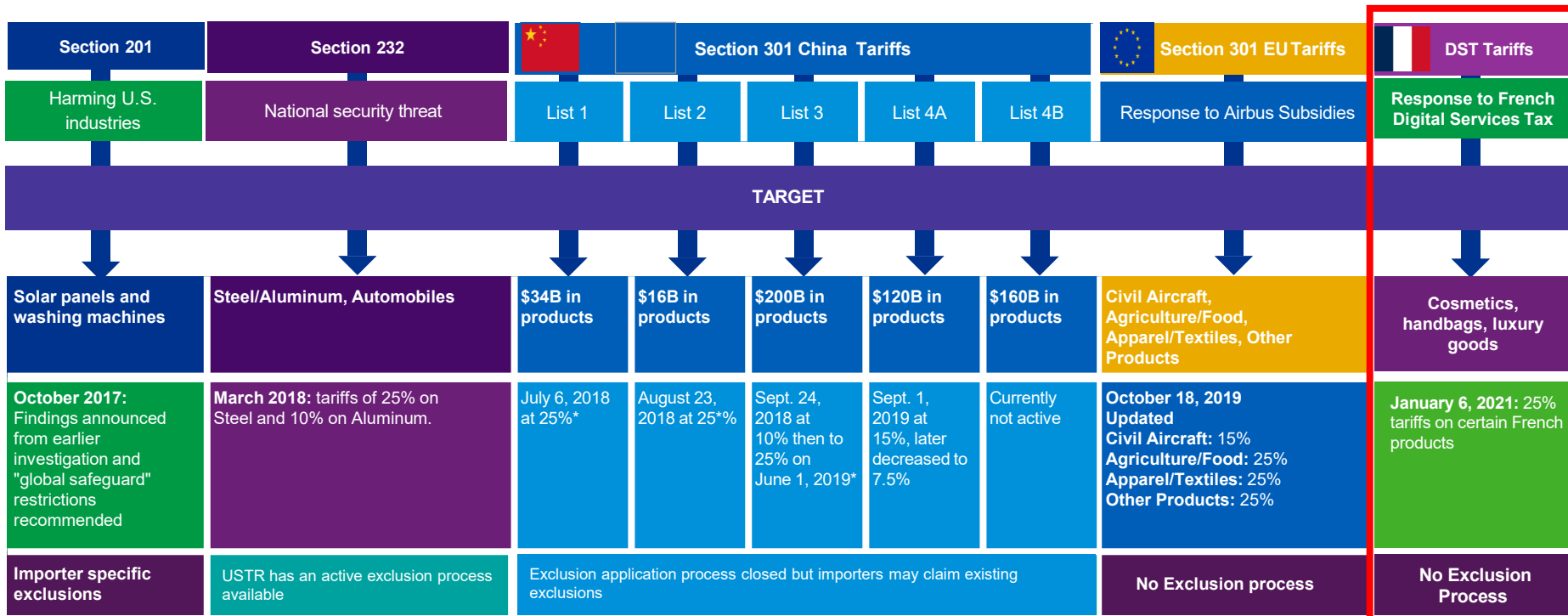


- Companies are looking for every lever to pull to make cash available, duty recovery increasing
- Widespread bankruptcies and closures; pivot to on-line presence


More than ever, the ability to remain agile while compliant is key


The Trade Environment Today - Tariff Refresher

There are a number of current tariff actions that make the trade landscape complex:

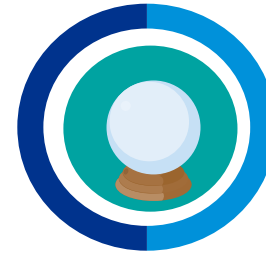


 Additionally, the United States Trade Representative ("USTR") recently announced that it is opening two investigations into Vietnam, which may potentially lead to tariffs on Vietnamese imports.

 The Office of the United States Trade Representative ("USTR") has also announced Section 301 investigations into taxes on digital services adopted or proposed by: Austria, Brazil, the Czech Republic, the European Union, India, Indonesia, Italy, Spain, Turkey, and the United Kingdom.

 On Oct 13, 2020, the WTO issued a decision allowing the EU to impose tariffs of approx. \$4B on imported US goods as a result of subsidies the US made to Boeing. Based on WTO procedural requirements, the tariffs went into effect Tuesday, 11/10. Affected products may include but are not limited to: Aircraft, Chocolate, Fruit Juices, Alcohol, Tobacco products, Essential oils, Plastics, Heavy machinery, Games and sports equipment.

Crystal ball... what's next?



Pressure Against Tariffs	Issue	Pressure for Tariffs
A need to build our global relationships will require easing of certain tariffs, especially with friendly countries (EU, CA, MX)	Foreign Policy	Countries are leveraging U.S. IP and subsidizing their businesses, should we reward them by removing tariffs? The tariffs work as foreign policy tool to deliver change
U.S. Trade Deficit at 12 year high (not working)	Revenue	The U.S. and governments globally are eager for revenue, and giving up tariffs will exacerbate it further
Businesses' bottom line getting hit hard	Corporate Profits	Companies can bring manufacturing home and still make higher profits with the lower tax rates in the U.S.
Lack of predictability in supply chain causes supply problems for essential products	Supply Chains	We need more essential products made at home anyway, as COVID-19 has shown
To bring more manufacturing in the U.S., you need to allow components to be imported at the lowest cost. With tariffs, companies can't competitively manufacture complex goods in the U.S. Tariffs haven't had the effect of bringing manufacturing back to the U.S.	U.S. Manufacturing	Tariffs force companies to move production to the U.S.
Tariffs can be surgical/targeted to achieve a level playing field	IP Leveraging	No changes from China on IP leveraging, so tariffs should stay
Retaliatory tariffs from our trading partners hurt our exports	Exports	We can export more if we manufacture more in the U.S.

Given the changes on the horizon that could result in significantly greater duty spend, it could be a good time to assess your current savings strategy and identify opportunities.

Common savings opportunities

Companies are beginning to embed trade compliance considerations into business practices as part of mitigating risk and realizing savings.



First Sale for Export



Foreign Trade Zone



Duty Drawback



Value Allowances



Section 321?



Self Filing



Cost Unbundling



Classification



Tariff Engineering



Protestable Errors



Broker Fee Reduction



Entry Consolidation



Incoterms Review



Inland Freight Unbundling



Process Automation



Country of Origin Modeling



Sourcing Location



VAT Reduction



First Sale Vendor Margin Optimization



Exclusion Requests

Challenges on the Horizon - Forced Labor

Background:

- Prohibitions against importing goods produced with forced labor has long been a part of U.S. law. Specifically, 19 USC § 1307 provides that goods:

“Produced, or manufactured wholly or in part in any foreign country by convict labor or/and forced labor or/and indentured labor under penal sanctions shall not be entitled to entry at any of the ports of the United States, and the importation thereof is prohibited[.]”

CBP’s Actions:

- In situations where there is evidence or suspicion of forced labor, the products may be denied entry by CBP issuing a withhold release order (WRO) or the importer may be subject to civil or criminal penalties.
- CBP has stated that they are placing increased focus on forced labor and as a result have already conducted more investigations in 2020 alone than any prior year.

CBP’s Recent Actions:

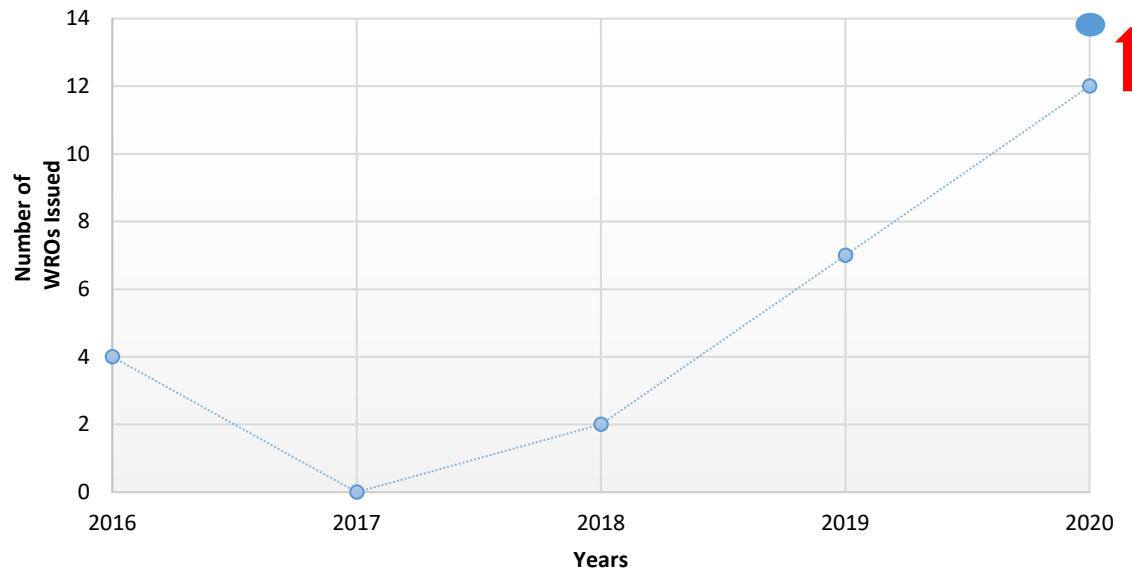
- CBP is currently focusing on the Xinjiang Uighur Autonomous Region ("XUAR") of China where there are widespread forced labor allegations.
- In 2020, The House of Representatives passed the Uyghur Forced Labor Disclosure Act (H.R. 6270). The legislation requires importers to file annual reports disclosing if the company imported goods or materials manufactured in the XUAR of China.

Challenges on the Horizon - CBP Enforcement Trends

Below is a high-level summary of recent actions:

- September 8, 2020 – WRO on imports of cotton and tomato products from XUAR of China
- August 18, 2020 – WRO on Da Wang, a Taiwan owned fishing boat
- August 13, 2020 – CBP collects \$575K from Pure Circle U.S.A. for Stevia imports made with Forced Labor
- July 1, 2020 – WRO on hair products manufactured by Lop County Meixin Hair Product Co. in the XUAR of China

Progression of WROs Issued over a 4 year period*



*Source: <https://www.cbp.gov/newsroom/stats/trade>



Questions?



Thank You!

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