We Make Global Trade Happen

American Association of Exporters and Importers (AAEI)

Global Shipping Alliance Country Report: United States

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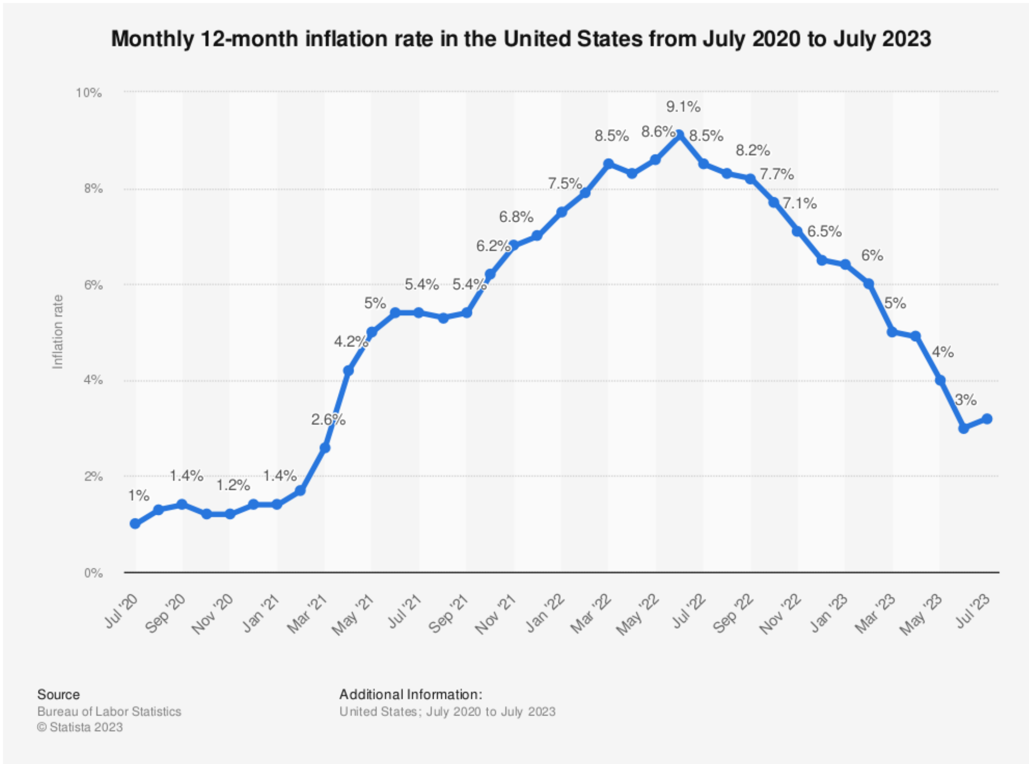
About AAEI: AAEI has been the national voice of the international trade community in the United States since 1921. Our unique role as an advocate for both importers and exporters reflect a broad membership base of manufacturers, distributors, retailers, and service providers, many of whom are small businesses offering diverse capabilities and technologies to the many agencies of the U.S. Government. With the promotion of fair and open trade policy and practice as our core value, AAEI addresses international trade, supply chain, export control, and customs and border protection issues from the legal, technical, and economic perspectives. We are recognized as the technical experts regarding the day-to-day facilitation of trade, including the administration of and compliance with import and export laws of the United States.



General View: The global supply chain challenges that hampered the U.S. economy from 2019-2022 have subsided. Consumers have reduced demand for many products and sought more low-value goods, owing to the increase in overall prices. U.S. importers and exporters are focusing on reducing their cost by providing more value to U.S. consumers and taken advantage of supplies already placed in U.S. warehouses. This change of demand by consumers and U.S. importers have resulted in U.S. import declines, with Chinese imports taking the hardest hits.

The U.S. government's attempt to reduce the reliance on Chinese imports, through export and investment controls and insourcing incentives, has led to more U.S. manufacturers seeking alternative sources of supply and demand. U.S. consumers have also sought to buy more from "Made in the U.S." brands as international products have been met with delays caused by trade compliance requirements, supply shortages and increased prices.

What have we learned over the last year?

- U.S. Importers' eagerness to oversupply has faded. The irrational consumer has also faded, leading to a more price conscious consumer.
- More U.S. companies have sought to move supply chains out of China and into other Southeast Asian countries and Mexico.
- Technology and Environmental goods companies are leveraging government subsidies to expand their manufacturing in the U.S. vs. increasing production globally.
- Wages are rising and companies are increasingly having difficulty finding workers, which has led to transportation and other union workers gaining substantial wage increases.

- The U.S. government has successfully mitigated port congestion by improving data transparency, stakeholder cooperation, and shipper rights laws.

What potential Black Swan/challenging events could be looming?

- Geopolitical Strife, e.g., U.S.-China, Ukraine-Russia, EU-U.S.
- Climate Change has impacted energy costs, port congestion, immigration, and insurance costs.
- Increase in Social Compliance laws, e.g., forced labor, environment, and health.
- Proliferation of sanction regimes.
- Labor deficiencies will become a global issue, not just an U.S. issue.
- The lack of improved trade facilitation measures will further harden global trade.

U.S. Trade Policy: The U.S. government is currently pursuing policies through myriad economic initiatives like the Indo-Pacific Economic Partnership (IPEP) in Asia, U.S.-Taiwan Trade Initiative, the Americas Partnership for Economic Prosperity, and the bilateral Trade and Technology Council with Europe, as well as its push for dispute settlement reform at the World Trade Organization.

These policies are built on the foundation of "de-risking" or "de-coupling" from China. The U.S. government has focused on insourcing or "friend sourcing" critical goods and technologies that were scarce during the COVID crisis. The U.S. has sought to provide subsidies and grants for companies who move their manufacturing back to the United States. The government has also sought to reestablish trade relationships with countries with like-minded goals of protecting workers' rights and the environment and developing more sustainable and resilient supply chains. The U.S. government has also sought to strengthen its relationship with multilateral institutions, including putting forth the next leader of the World Customs Organization and advancing the World Trade Organization's multilateral agreement on fisheries.

U.S. Customs Modernization: The U.S. Congress and the U.S. Customs and Border Protection Agency (CBP) have embarked on a project to modernized U.S. customs laws through a 21st Century Customs Framework (21CCF). The 21CCF is a strategic initiative that seeks to achieve the following outcomes: achieve end-to-end supply chain transparency; drive data-centric decision making; and identify and allocate risk to appropriate parties. The intended outcome is to ensure that CBP can manage the growth in e-commerce; the proliferation of counterfeit imports; and new social compliance laws.

Here are a few of the key components of U.S. Customs Modernization:

- Providing for the capture of more data from foreign and domestic actors in the supply chain, including freight forwarders, shippers, carriers, e-commerce marketplaces, and brokers.
- Improving the partnership between CBP and the trade community by renewing public-private partnerships.
- Creating improved export modernization tools that would connect U.S. export data and risks with trade allies.
- Creating a "One-Government" approach to customs modernization, where participating government agencies work to develop complementary and coordinated risk management processes, including the sharing of information; identifying trusted traders; and providing a single release at the border.
- Developing policies that effectively reduce trade, security, and social compliance risks, like terrorism, counterfeiting, forced labor, and illegal tariff evasion.

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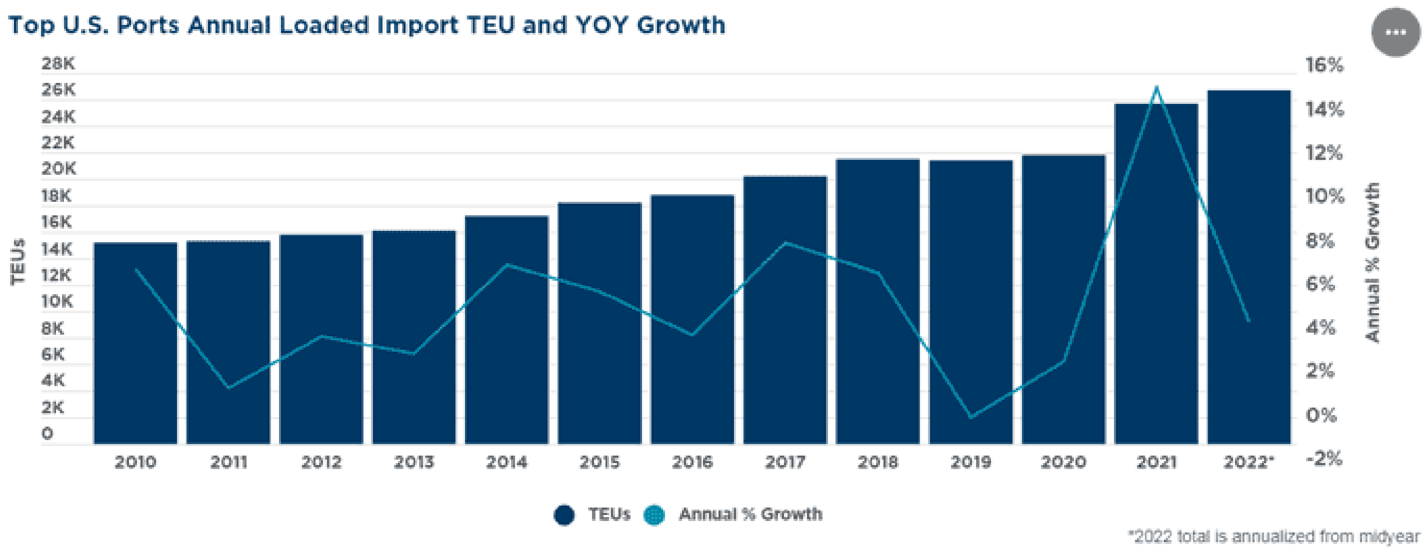
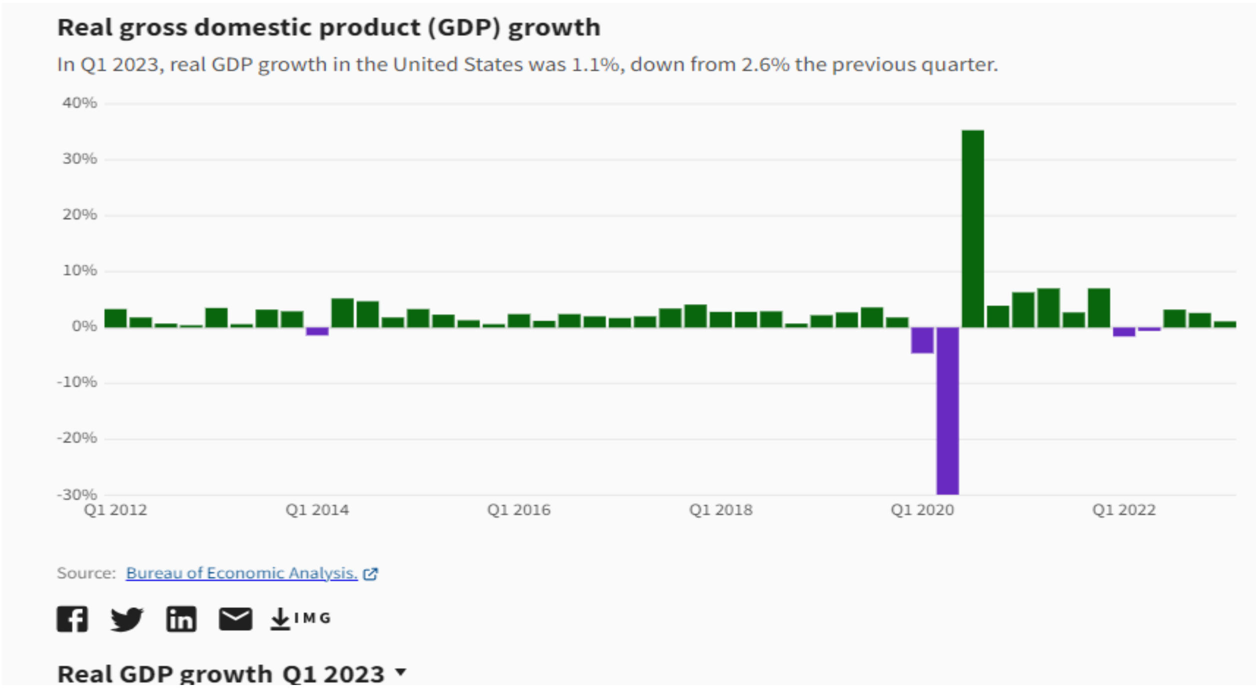


Source: U.S. Department of Transportation, Buruea of Transporation Statistics Source: U.S. Department of Transportation, Buruea of Transporation Statistics

Supply Chains Resiliency: The costs to ship goods from Asia and other major U.S. trading partners increased over the last year; however, many importers continued to make orders in an environment with less port congestion. The U.S. supply chain issues did not happen overnight and resolving many of the issues sustainably will not happen with one or two changes. However, the U.S. Government proactively sought to reduce additional supply chain risks by developing policies and incentives to move more U.S. supply chains closer to U.S. markets or to friendlier shores. U.S. Ports like Savanah, New Orleans, and Charleston, which were used to relieve the pressure on the U.S. west coast ports, are now enjoying renewed access to Asian shipments. Asian shipments were absent or insignificant within the east and southern coast ports prior to COVID.

The U.S.'s Ocean Shipping Reform Act (OSRA) has strengthened the U.S. Federal Maritime Commission (FMC). The FMC has used its new authority to address shipper billing for detention and demurrage; carrier export policies; requirements on carriers to hire "compliance officers" within their companies; and some requirements around carrier contracting.

The greatest threat to supply chains now has been the constant threat of port disruptions due to imminent labor strikes. U.S. ports on the west coast successfully prevented a port strike that would have strangled the U.S. supply chain. The successful agreement between the United Parcel Service (UPS) also helped to prevent a greater disruption in the U.S. supply chain. However, the increasing cost of wages and labor shortages has created a perfect storm of future risks of labor disputes.



Source: U.S. Department of Commerce, International Trade Administration

U.S. Economic Status and Outlook: U.S. economic growth is slowing owing to increases in interest rates and debt challenges. Many economists believe the U.S. economy will gradually slow with a short and shallow recession and then rapidly expand.

There are three economic conditions currently looming within the U.S. economy. First, high inflation caused by high consumer demand and low inventories has caused U.S. policy makers to pursue inflation-fighting measures, including increasing interest rates. Although it appears inflation is slowly moving downward, there are immediate concerns in the housing and energy sectors, where housing shortages continue to increase prices and record temperatures are increasing energy demand. Second, although there are fewer fears of a prolonged recession, the end of individual government subsidies and the elimination of student loan debt relief could reduce consumer demand. The final condition is the remaining economic stimulus that has not fully hit the U.S. economy and how it might spur more growth. Approved legislation seeking to increase investment in new infrastructure, technology, and environmental goods and services hasn't fully made its way through the economy.

The most looming uncertainty is whether the U.S. Federal Reserve will continue to increase interest rates through the 4th quarter and whether the U.S. Congress and the Bident Administration can agree on a long-term spending law in October. These factors will determine whether the U.S. will slip into a long-term recession or glide into a soft landing toward renewed economic growth.