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The Geopolitical Landscape: Navigating Supply Chain Complexity and Risk Amid International Trade Developments

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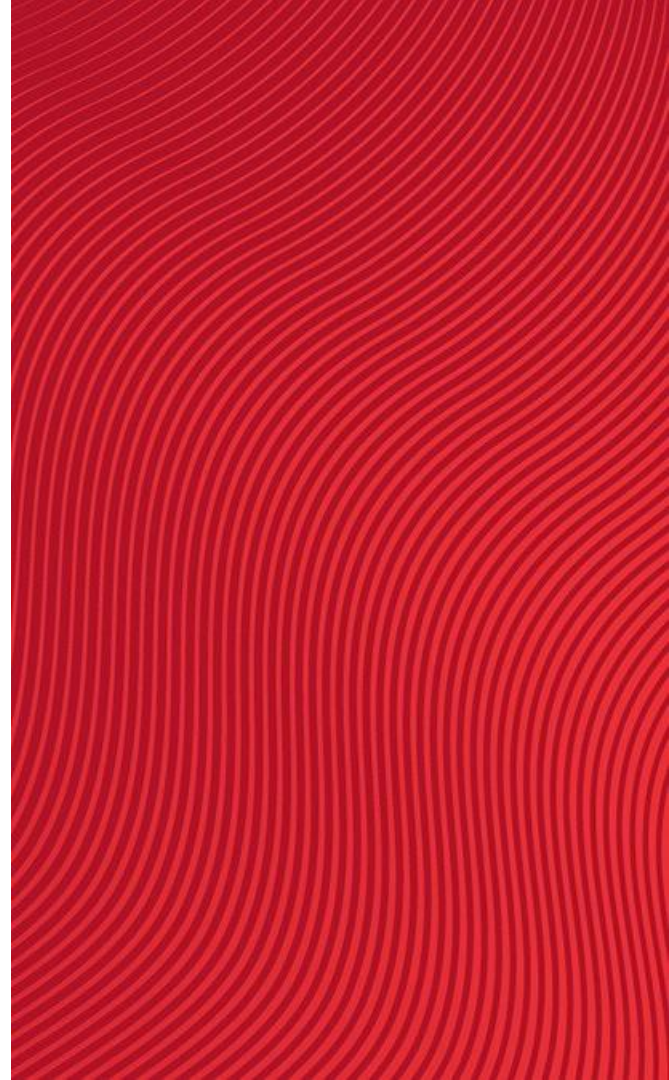


Agenda

01 Recent Developments in US Customs,
Export Controls, and Economic Sanctions

02 Highlights of Significant Challenges
in Trade

03 How Companies are Responding to
These Challenges



01 Recent Developments in US Customs, Export Controls, and Economic Sanctions

Recent Developments in US Customs, Export Controls, and Economic Sanctions

- **Customs/Imports**
 - Trade Facilitation and Trade Enforcement Act of 2016
 - Enforce and Protect Act
 - ~~North American Free Trade Agreement~~ → US-Mexico-Canada Agreement
 - Section 301 Duties on Chinese Imports
 - **Uyghur Forced Labor Prevention Act (UFLPA)**
 - Increased Customs Enforcement

Recent Developments in US Customs, Export Controls, and Economic Sanctions

■ Export Controls

- Export Control Reform Act of 2018
- Export Controls Targeting China (Industry-specific)
- End-Use/End-User Controls
- Russian Invasion of Ukraine
- Multi-Lateral Controls

■ Economic Sanctions

- Proliferation of Sanctions Designations/Industry Restrictions
- Russian Invasion of Ukraine
- Government of Venezuela

02 Highlights of Significant Challenges in Trade

Highlights of Significant Challenges in Trade

- Export Control Reforms, Increased Export Restrictions
- Expansion of Economic Sanctions
- Increased Tariffs/Import Restrictions
 - Section 301 Duties
 - UFLPA
- Increased Enforcement of Customs Law; Opportunities and Challenges
 - Increased Customs Enforcement
 - USMCA/Section 301 Duties
 - Section 321; *De Minimis*

Recent Developments – China, China, China

Bi-Partisan Opposition to Facilitating Trade with China

- **Trump (2017-2021)**
 - Imposed Section 301 tariffs on Chinese imports
 - Imposed ban on American investment in Chinese firms with ties to the Chinese military
 - Expanded trade restrictions and designations by Commerce and OFAC on Chinese firms
- **Biden (2021-current)**
 - Maintained Section 301 tariffs on Chinese imports; rolled back exclusions, expanded goods covered, and proposed increasing Section 301 tariffs on strategic products
 - Biden recently added steep Section 301 tariffs on \$18 billion of Chinese imports; some effective in the near-term, others next year or 2026
 - Diplomatic boycott on 2022 Beijing Olympics
 - Signed the UFLPA into law
 - Expanded export restrictions on advanced computing chips and related equipment, and military/intelligence end-use/end-user controls
- Restrictions on out-bound investment?

Recent Developments – China, China, China

China Policy in the Next Administration

■ Republicans

- Call for revoking China's most-favored nation status
- Trump: 60% (100%?) tariffs on Chinese imports; 10% tariffs for all others
- Trump: Discourage trading partners from abandoning the US dollar

■ Democrats

- Favor multilateral approach to targeting unfair trade practices alleged in China
- Focus on solar cells, semiconductors, electric vehicles, batteries, critical minerals
- "Buy America"

Recent Developments – China, China, China

Legislative Efforts

- China Select Committee
- Uyghur Forced Labor Prevention Act
- "End China's De Minimis Abuse Act"
- China Week (Week of September 9, 2024) – House passes several bills targeting China; 100 Dems ask Biden to intervene on *de minimis*

"Beijing is our No. 1 foreign threat... They exploit every nook and cranny of our financial and economic systems..."

"Our goal is to have a significant package of China-related legislation signed into law by the end of this year, in this Congress, featuring these priorities and many more and will work aggressively toward that package. I'm very hopeful that much of this can be bipartisan."

- Speaker Mike Johnson (R-LA)

Recent Developments – UFLPA

UFLPA bill was first introduced in Congress on September 22, 2020

- Passed the House of Representatives by 406–3
- Unanimously passed the US Senate on July 14, 2021
- Similar bill passed the House by a 428–1 vote on December 8, 2021
- Signed into law by President Biden December 2021, effective June 2022.

Recent Developments – UFLPA

- Imposes a rebuttable presumption that all goods made wholly or in part in the XUAR are made with forced labor and thus cannot be imported
 - The rebuttable presumption also applies to goods with a nexus to Xinjiang – i.e., goods that are produced by an entity on any of following lists (which have yet to be released)
 - A list of entities in Xinjiang that produce any goods wholly or in part with forced labor;
 - A list of entities working with the government of Xinjiang to recruit, transport, transfer, harbor, or receive forced labor or Uyghurs and other minorities out of Xinjiang;
 - A list of entities that exported products described in the 2 previous lists from China into the United States; and
 - A list of facilities and entities that source material from (a) Xinjiang; (b) persons working with Xinjiang's government; or (c) persons working with the Xinjiang Production and Construction Corps for purposes of the "poverty alleviation" program or the "pairing-assistance" program.
 - Importers must demonstrate with "clear and convincing evidence" that their imports do not include forced labor in the supply chain
 - Also authorizes OFAC sanctions designations.
- Effective **June 21, 2022**

Recent Developments – UFLPA

- Perspective from Outside the United States
 - Other countries are following suit – Mexico, Canada, the European Union, etc.
 - China – Blocking Sanctions
 - Prohibits compliance with UFLPA and other laws restricting trade with China
 - Sanctions against screening services (Kharon)
- Screening not a panacea
 - Technical limitations of screening tools
 - Screening results may require complicated legal analysis of sanctions/export controls/import restrictions that may apply

Recent Developments – UFLPA



U.S. Customs and
Border Protection

U.S. Customs and Border Protection (CBP) Uyghur Forced Labor Prevention Act Enforcement Statistics June FY2022 to FY2024 to date

Shipment Metrics

Total
9,791

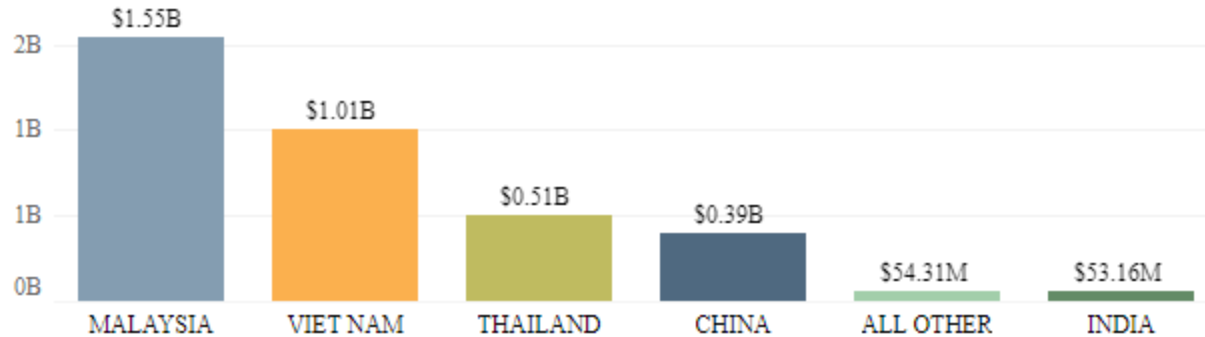
Denied
3,976

Released
4,573

Value (USD)
\$3.56B

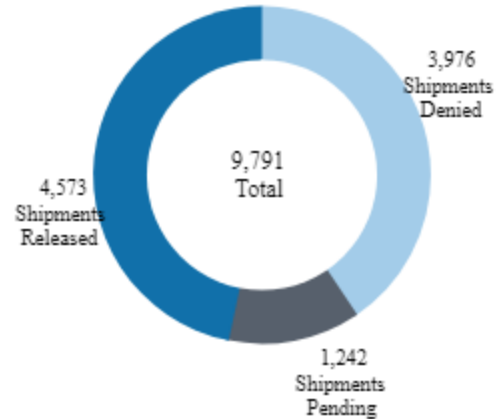
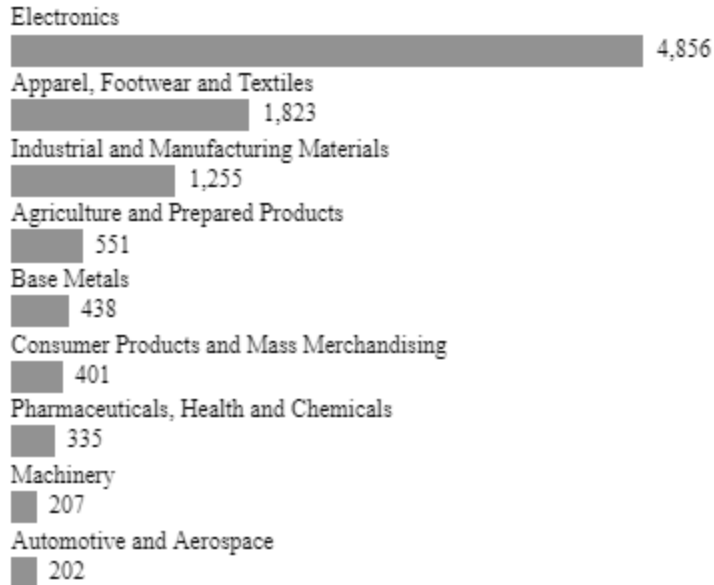
Recent Developments – UFLPA

Shipment Value (USD) by Country of Origin



Recent Developments – UFLPA

Shipment Count by Industry and Exam Result



Recent Developments – UFLPA

Enforcement of China Forced-Labor Import Ban Needs to Be Much Tougher, Say U.S. Lawmakers

The leaders of a bipartisan committee said the Biden administration should consider using criminal prosecutions and closing a trade loophole

By [Richard Vanderford](#) [Follow](#)
Updated Jan. 22, 2024 1:37 pm ET

US authorities detain solar modules imported from Mexico

Module manufacturer Maxeon says that US Customs and Border Protection officials have detained all of its panel imports from Mexico since July as the federal law enforcement agency investigates their compliance with the Uyghur Forced Labor Prevention Act (UFLPA).

SEPTEMBER 5, 2024 [EMILIANO BELLINI](#)

Xinjiang cotton ‘widespread’ despite US UFLPA legislation

CertainT Isotope testing has found 19% of cotton samples showed evidence of a Xinjiang origin between February 2023 and March 2024 despite the enforcement of the Uyghur Forced Labor Prevention Act (UFLPA).

Rachel Lawler | May 9, 2024

BMW, Jaguar and VW Parts May Have Been Made With Forced Labor, Senate Report Says

The report from Senate Finance Committee Chair Ron Wyden says automakers aren’t doing enough to root out the use of forced labor in their supply chains

By [Richard Vanderford](#) [Follow](#)
May 20, 2024 7:18 pm ET

Indian solar panels face US scrutiny for possible links to China forced labor

By [Lewis Jackson](#) and [Nichola Groom](#)

August 27, 2024 12:11 PM EDT · Updated 12 days ago





Consequences of Non-Compliance

- Significant Monetary/Civil Penalties
- Duty Liability
- Detentions/Seizures
- Debarment/Denial of Export Privileges
- Commercial/Reputational Risks

03 How Companies are Responding to These Challenges



How Companies Are Responding to These Challenges

- Establishing effective compliance programs
- Screening of customers, service providers, end-users, suppliers
- Supply chain realignment and due diligence; strategic sourcing
- Merger and acquisition due diligence; successor-in-interest liability
- Implementing periodic reviews; internal compliance training
- Elevating compliance roles within organizations to ensure effective monitoring, coordination, and oversight
- Trust software/automated systems; but important to verify

The image features a white speech bubble shape on the left side, set against a red background with a wavy, textured pattern. The word "Questions" is written in a bold, black, sans-serif font inside the white area.

Questions

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