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Slaves to Fashion: Chinese Firms Cited for Labor, Other Violations

Chinese "fast fashion" platforms like Shein and Temu are expanding rapidly in the United States, raising concerns about exploitation of trade loopholes, sourcing relationships, product safety, and forced labor. These companies, which rely on U.S. consumers using Chinese apps to curate and deliver products, have outpaced competitors like Zara and H&M, turning fast fashion into a \$106.4 billion industry in 2022.

A [report](#) released by the US China Economic Security Review Commission details the concerns, highlighting the merchants' rapid growth, policy concerns, and recommendations.

Labor, Legal and Environmental Concerns

Investigations in 2022 alleged that Shein failed to declare sourcing cotton from Xinjiang for its products, a violation of the Uyghur Forced Labor Prevention Act. Further reports suggest illegal labor conditions among suppliers of Chinese fast fashion firms and health hazards and environmental risks associated with Shein products. Additionally, Shein and other Chinese fast fashion firms have faced numerous copyright infringement accusations and lawsuits for intellectual property rights violations.

De Minimis Exemption

These companies present challenges to U.S. interests, including difficulties monitoring supply sources and ensuring fair market practices with U.S. competitors. They also exploit trade de minimis import exemptions, allowing them to avoid import duties on shipments to the United States valued below \$800. As a result, Shein and similar firms have become a case study in Chinese e-commerce platforms outmaneuvering regulators to grow a dominant U.S. market presence. This practice costs the U.S. Department of the Treasury an estimated \$10 billion a year in lost tariffs.

U.S. Market Share

Shein's market presence has grown significantly in the United States over the last three years. The company's aggressive digital and social media advertising campaigns, coupled with the expansion of online buying during the COVID-19 pandemic, led to Shein capturing 50% of all fast-fashion sales in the U.S. by November 2022. In May 2022, Shein's app briefly became the most downloaded app in the country, surpassing TikTok, Instagram, and Twitter.

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Past Congressional Efforts on Chinese e-Commerce include Senators writing letters to the company seeking information on Shein's alleged sourcing of Xinjiang cotton. The COMPETE Act of 2022, sought to close the *de minimis* loophole, but was sidelined due to lobbying pressure from Amazon and the package delivery industry. Amazon's Marketplace is the largest single beneficiary of the *de minimis* exemption.

Last Fall, **CBP's John Leonard** reportedly got laughs and applause from an audience of importing officials with the joke: "China has a free-trade agreement with the U.S. -- it's called *de minimis*."

Congress Questions Enforcement of Forced Labor Act

The lead sponsors of the *Uyghur Forced Labor Prevention Act (UFLPA)*, have written a letter to the **Department of Homeland Security Under Secretary, Robert P. Silvers**, expressing concerns about the transparency and effectiveness of the law's enforcement. The legislation, which enjoys broad bipartisan support, aims to combat forced labor practices in China's Xinjiang Uyghur Autonomous Region (XUAR).

Chairs of the *Congressional-Executive Commission on China Rep. Christopher Smith* (R-NJ) and **Sen. Jeff Merkley** (D-OR) highlight issues with the applicability review process for detained goods, the limited number of entities on the Forced Labor Enforcement Task Force's Entity List, and challenges in addressing transshipment from third countries.

The letter calls for greater transparency and information regarding the law's implementation and expresses concerns about the release of detained goods without public or congressional reporting.

Additionally, the lawmakers ask for an expansion of the *Forced Labor Enforcement Task Force (FLETF) Entity List*, which identifies entities engaged in forced labor.

The bipartisan group acknowledged the challenges of enforcing the UFLPA amid global supply chains and **seeks to address issues of transshipment from third countries**. They request an update on the implementation strategy, tools, and resources needed to tackle this challenge effectively.

The lawmakers ask for information on the enforcement of UFLPA in relation to "de minimis" shipments from China, which allow vendors to send materials without reporting basic data if the value is under \$800. The group cites concerns about Chinese companies such as SHEIN and TEMU using this loophole for direct-to-consumer purchases.

The Congressional-Executive Commission on China will hold a hearing April 18th with a panel of experts on trade, forced labor, and labor trafficking to further examine the UFLPA's implementation.

Critical Minerals Export Restrictions on Rise - OECD

The global transition to a green economy faces a serious challenge as the supply of critical raw materials struggles to keep pace with growing demand, warns a new policy paper from the Organization for Economic Co-operation and Development (OECD). The report, *Raw Materials for the Green Transition: Production, International Trade and Export Restrictions*, emphasizes the need for a substantial increase in production and international trade of these materials in order to meet net zero CO2 emissions targets.

Driven by the aftermath of the COVID-19 pandemic, trade tensions, and the ongoing impact of Russia's invasion of Ukraine, the prices of materials like aluminum and copper have soared to record highs. Although the production and trade of critical raw materials have expanded significantly in the last decade, this growth is insufficient to meet the projected demand for metals and minerals necessary for a global shift from fossil fuels to renewable energy technologies.

Among the materials with the largest production volume expansions are lithium, rare earth elements, chromium, arsenic, cobalt, titanium, selenium, and magnesium. However, these increases still fall short of the four- to six-fold rise in demand expected for the green transition. Meanwhile, global production of some critical raw materials, such as lead, natural graphite, zinc, precious metal ores and concentrates, and tin, has declined in the past decade.

OECD Secretary-General Mathias Cormann stated, "Policy makers must closely scrutinise how the concentration of production and trade coupled with the increasing use of export restrictions are affecting international markets for critical raw materials. We must ensure that materials shortfalls do not prevent us from meeting our climate change commitments."

Export Controls on the Rise

Concentration of production has become more pronounced, with China, Russia, Australia, South Africa, and Zimbabwe among the top producers and reserve holders. While the trade of critical raw materials remains relatively well diversified, there is increasing concentration of imports and exports amongst countries, which may lead to supply chain disruptions.

Since the OECD began collecting data in 2009, export restrictions on critical raw materials have seen a five-fold increase. Today, 10% of global exports in these materials face at least one export restriction measure. China, India, Argentina, Russia, Viet Nam, and Kazakhstan have issued the most new export restrictions during this period and are also the countries with the highest shares of import dependencies for OECD nations. The OECD warns that the trend toward increasing export restrictions could have significant effects on the availability and prices of critical raw materials, potentially jeopardizing the global green transition.

For more information on *Raw Materials Critical for the Green Transition: Production, International Trade and Export restrictions*, visit www.oecd.org/trade/topics/trade-in-raw-materials/.

TTC Needs More Focus on Trade - EU Official

The United States and European Union need to produce more results on trade through the bilateral Trade and Technology Council, **European Trade Commissioner Valdis Dombrovskis** said Wednesday.

In particular, the global focus on dealing with climate change presents the opportunity to create "a green transatlantic marketplace," he told a program sponsored by the American Enterprise Institute. The EU and United States should coordinate their climate policies in order to set standards for green products and avoid trade barriers, he said.

The TTC has produced results in the technology sphere, including coordinated sanctions and export controls on Russia for its invasion of Ukraine. “But we need to deliver more on the trade side. I want to see clear trade deliverables,” he stated. The EU official said he hopes to see movement on trade at the next TTC meeting at the end of May in Sweden.

As part of the green transition, Brussels and Washington are working on a targeted critical minerals agreement. Reaching the agreement is essential to ensuring the EU is treated fairly under the US Inflation Reduction Act’s subsidies for electric vehicles.

The US critical minerals agreement with Japan has created a useful precedent to build on, according to Mr. Dombrovskis. He discussed the critical minerals agreement US Trade Representative Katherine Tai.

The EU’s carbon border adjustment mechanism is non-discriminatory and compliant with the World Trade Organization rules, but subsidies are not, he said.

WTO and Net Zero

The WTO and trade are essential to getting to net zero, **Director-General Ngozi Okonjo-Iweala** said at a program sponsored by the Washington International Trade Association last week. The WTO can provide a forum for strategic cooperation on climate change, she said. The agreement on fisheries subsidies reached last year at the 12th ministerial conference demonstrated that WTO members “can reach agreements for the global commons.”

“Trade is a force for the rapid climate action that we need and nothing in the WTO rules prevents members from taking climate action,” she stated.

Speaking at the same program, **Deputy Director General Angela Ellard** pointed out that the WTO has a full agenda of environmental issues, including fisheries subsidies, plastics pollution, fuel subsidies and structural sustainability.

She expressed hope that members might return to negotiations on an environmental goods agreement. Ms. Ellard, who previously was chief trade counsel for the House Ways and Means Committee, said there is increasing Congressional support for an EGA. WTO members, however, have not come to a decision on whether to resurrect the negotiations.

Assistant US Trade Representative for Environment and Natural Resources Kelly Milton said the WTO already has a full plate and should deal with the issues already on its agenda before turning to any new negotiations. She suggested the WTO can be a platform for members to share and possibly coordinate their climate actions and to make sure that unintentional trade restraints are not being imposed.

"Early Harvest" on Taiwan Trade

The Administration may soon reach agreement on an “early harvest” in its ongoing trade negotiations with Taiwan, **Deputy US Trade Representative Sarah Bianchi** said last week. Negotiations on the US-Taiwan 21st Century Trade Initiative began last June and “we hope to conclude an early harvest soon,” she told a

conference on rethinking world trade sponsored by Georgetown Law's Center on Inclusive Trade and Development.

Summaries of proposed texts covering customs administration and trade facilitation, good regulatory practices, services domestic regulation, anti-corruption and small- and medium-size enterprises were released last month. Those five issues have been tagged for possible early harvest out of the 12 under negotiation. The remaining issues are agriculture, standards, digital trade, labor, environment, state-owned enterprises and non-market economies and practices.

Meanwhile, the Administration will hold its first round of negotiations on a similar trade agreement with Kenya, according to Ms. Bianchi. **The aim is to produce an agreement that will be a model of what can be done with countries in Africa that are ready to take the next step away from the African Growth and Opportunity Act trade preferences program.**

The Administration also is looking for "tangible progress" this year on the Indo-Pacific Economic Cooperation Framework with 13 countries, she said. US Trade Representative Katherine Tai will be discussing the IPEF next week with two participating countries – Japan and the Philippines.

"Collectively, the fourteen IPEF countries make up 40 percent of global GDP," Ms. Bianchi said. "If we can establish a set of norms and rules of the road, we can bind our economies together in meaningful ways that make our economies more resilient and help workers. IPEF will reduce some of the costly non-tariff barriers to trade, set common-sense standards for the digital economy, strengthen supply chains with like-minded partners, craft responsible rules of the road on labor and the environment, and achieve other priorities that will help redefine the world of traditional trade."

Meanwhile, China's unfair trade policies remain a key focus, she said. "We need a new playbook on the PRC that serves our economic interests and defends our values. And we will continue to press the PRC on its state-centered and non-market trade practices, and to live up to its commitments through the Phase One agreement."

The comprehensive four-year review process of the Section 301 tariffs on Chinese imports is being used to take "a deliberate and strategic look at how we can serve our interests in light of the PRC's continued unfair policies and practices," she stated.

WTO / US Accepts Fisheries Accord

The United States formally accepted the Agreement on Fisheries Subsidies, Tuesday, becoming the fourth WTO member and the first among large fishing nations to do so. The formal acceptance by the US marks a significant moment for the approaching entry into force of the landmark agreement for ocean sustainability.

WTO Director-General Ngozi Okonjo-Iweala received the instrument of acceptance from US Trade Representative Ambassador Katherine Tai in Washington, D.C. The Agreement requires acceptances from two-thirds of WTO members to come into effect.

Okonjo-Iweala expressed gratitude for the US's support and its commitment to ocean sustainability, acknowledging the importance of US leadership to the WTO and multilateralism. Ambassador Tai emphasized the US's role in protecting the environment, oceans, marine resources, and the livelihoods dependent on them.

The Agreement on Fisheries Subsidies, adopted by consensus at the WTO's 12th Ministerial Conference (MC12) in June 2022, establishes new binding, multilateral rules to curb harmful subsidies that contribute to the depletion of global fish stocks. The Agreement also considers the needs of developing and least-developed countries (LDCs) and creates a fund to provide technical assistance and capacity building to help them implement the obligations.

The Agreement prohibits support for illegal, unreported, and unregulated (IUU) fishing, bans support for fishing overfished stocks, and ends subsidies for fishing on the unregulated high seas. Additionally, Members agreed at MC12 to continue negotiations on outstanding issues, aiming to make recommendations by MC13 for additional provisions that would further enhance the Agreement's disciplines.

UN Panel Inventories North Korean Sanction Dodges

According to a report by the United Nations on the Democratic People's Republic of Korea (DPRK), the country's nuclear weapons program has accelerated despite no nuclear tests during the reporting period. The Report by the Panel of Experts is prepared annually for the Security Council to document compliance with the body's resolutions.

Following the introduction of a new law that focuses on tactical nuclear capability, a new first-use doctrine, and the "irreversible nature" of the country's nuclear status, the DPRK launched 73 ballistic missiles and missiles combining ballistic and guidance technologies in 2022, including eight intercontinental ballistic missiles, openly breaching UN sanctions

Academic Sanctions

The report revealed violations of Security Council resolutions by a DPRK researcher who graduated from a Ph.D. course in Sweden and was employed as a laboratory technician and postdoctoral researcher in another research institute in Sweden. German media reported co-authorship of by DPRK academics and academics at the *Max Born Institute for Nonlinear Optics and Short Pulse Spectroscopy* in Germany since 2017, which could have possible military applications. The Max Born Institute denies any such potential.

Maritime Ruses

The report highlights the DPRK's acceleration of acquiring vessels, mainly cargo ships, and receiving illicit refined petroleum products through "direct delivery" tankers.

Illicit ship-to-ship imports of cargo in DPRK territorial waters and prohibited ship-to-ship exports of DPRK coal continued, with reports suggesting that some cargo ships may be outfitted illegally to transport oil products. Due to the complex nature of vessel sale and acquisition in the region, it is challenging to detect the sale of ships to the DPRK, and the report recommends best practices and due diligence during the sale of vessels to prevent sanctions evasion.

Cyber & Arms Sales

The report also details cyber activities attributed to Reconnaissance General Bureau actors, who used increasingly sophisticated cyber techniques to gain access to digital networks involved in cyberfinance and steal information of potential value, including to its weapons programs.

The Panel investigated the export of DPRK military communications equipment and began investigating reports of ammunition export. Investigations continue into allegations of infantry rockets being delivered by train from the DPRK to the Russian Federation.

The humanitarian situation in the country continues to deteriorate, and UN sanctions have had an unintended effect. The report notes limited deliveries of humanitarian aid and the introduction of temporary and ad hoc means of funds transfer for UN humanitarian activities in the DPRK.

[\[complete report\]](#)

US Chamber and Commerce Dept. Eye Ukraine Rebuilding

The Administration and US business are looking ahead to the end of the war in Ukraine and the need for major reconstruction in the war-torn country. Reconstruction will take years and the price tag will be high, Commerce Secretary Gina Raimondo said last week at a conference sponsored by the US Chamber of Commerce to launch its Ukraine Business Initiative.

The current estimate of reconstruction costs is over \$400 billion and growing. The US government cannot cover reconstruction on its own. "This has to be a public-private partnership," Ms. Raimondo said.

US companies want to participate in Ukraine's reconstruction, but they need to know what Ukraine's priorities for reconstruction will be, how private and public funding will work together and how they can be reassured they will not be exposed to any sort of corruption, she said.

To attract US business investment, the Ukraine government will need to offer a good business environment and a level playing field free of corruption, according to the Commerce Secretary.

Zero Tolerance

The Ukraine government has "zero tolerance for corruption," Ukrainian Prime Minister Denys Shmyhal told the conference. The government has undertaken anti-corruption reform and is privatizing inefficient state enterprises. Economic reforms are being made in order to achieve Ukraine's goal of meeting the criteria for membership in European Union in two years.

"We are determined not only to win this war, but to be fully integrated into global value chains," he said. The EU will move on Ukraine's accession as quickly as possible, according to Gert-Jan Koopman, European Commission Director-General of the Directorate for General Neighborhood and Enlargement Negotiations.

The US Chamber's Ukraine Business Initiative will assist US companies in assessing risks and opportunities in Ukraine, communicate the requisite conditions for companies to begin commercial operations in Ukraine and promote a transparent, competitive environment in which companies enjoy equal access to projects.

***** Briefs *****

Commerce Seeks Candidates for Technical Advisory Committees (TACs) The Bureau of Industry and Security (BIS), Department of Commerce is announcing its recruitment of candidates to serve on one of its six Technical Advisory Committees ("TACs" or "Committees"). TAC members advise the Department of Commerce on the technical parameters for export controls applicable to dual-use items (commodities, software, and technology) and on the administration of those controls. [\[10309\]](#)

WTO DG Urges "Realism" for MC13. World Trade Organization Director General Ngozi Okonjo-Iweala cautioned WTO members to be realistic about what can be achieved at the 13th ministerial meeting planned for next February. But at the same time, she expressed optimism that members can reach outcomes on a number of pending issues, including a permanent solution to the temporary moratorium on electronic commerce, fisheries subsidies and – most importantly – WTO reform. [\[10305\]](#)

Senators Renew Call for Manufacturing Council at Commerce. A bipartisan group of senators have reintroduced the *National Manufacturing Advisory Council for the 21st Century Act* to establish a National Manufacturing Advisory Council within the U.S. Department of Commerce. The legislation aims to advance Made in America manufacturing policy and boost economic competitiveness. The proposed council, comprising manufacturers, labor representatives, and academic experts, will serve as a bridge between the manufacturing sector and the federal government to improve communication on their needs. [\[10304\]](#)

CBP Guidance on Cybersecurity. U.S. Customs and Border Protection (CBP) released Monday a new [guidance](#) document containing best practices for customs brokers on how to prepare for and respond to a cyber-attack. The new resource makes recommendations on how to prevent, respond to, and recover from potential cyber-attacks on customs broker data systems, from proactively putting in place plans and preventative IT controls to resuming normal business operations upon system remediation. [\[10290\]](#)

China Transshipments of US Chips to Russia Up – Report. Despite US sanctions on Russia following the invasion of Ukraine, hundreds of millions of dollars' worth of US-made semiconductors continue to flow into Russia through circuitous routes, according to reporting in *Nikkei Asia*. A large portion of these chips are channeled through small traders in Hong Kong and mainland China. [\[10294\]](#)

Beijing Sanctions US Think Tank, Reagan Library for Hosting Taiwan Leader. In a move to counter what it sees as a violation of the one-China principle, China has announced sanctions against two American institutions and four individuals involved in hosting Taiwan's leader, Tsai Ing-wen, during her recent visit to the United States. [\[10296\]](#)

More Russian Sanctions; Entities Named. Treasury, Commerce, State and the UK's Foreign Office launched a coordinated expansion of sanctions on the Russian military-industrial complex, as well as the personal holdings and advisors of two prominent oligarchs. [\[10295\]](#)

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