

Is the International Supply Chain Functioning Properly?

*By Peter Quinter**

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Every day, the news media has headline news of the disruption in the international supply chain. From cars to TVs, Americans are told that it is taking longer to get merchandise from overseas into the department stores for your purchase. You probably have seen video of dozens of mega-size cargo vessels off the coast of California waiting to unload containers into the Port of Los Angeles/Long Beach. It seems as if the way cargo has moved from overseas to the United States no longer works, or at least is in serious jeopardy. My thesis is that the international supply chain has never worked so well in getting the massive amount of cargo from overseas (mostly Asia) to the United States to satisfy the consumption demands of American consumers.

As a U.S. Customs and International Trade legal expert, I have been involved in the movement of cargo into and out of the United States since 1989. I interact daily with the Federal law enforcement agencies tasked with enforcing the various laws and regulations at the border, especially U.S. Customs and Border Protection (CBP), Homeland Security Investigations (HSI), U.S. Food and Drug Administration (FDA), Transportation Security Administration (TSA), Environmental Protection Administration (EPA), the Consumer Product Safety Commission (CPSC), the Trade and Tax Bureau (TTB), and the U.S. Department of Agriculture (USDA). Altogether, these agencies have the mission to identify, stop, and examine any merchandise entering the United States that could cause harm to an American consumer. Each of these agencies has sets of requirements for cargo to enter the United States for which an importer, or its designated customs broker, must comply, or the cargo is refused entry or seized. This definitely slows down the entry of cargo into the commerce of the United States. Nevertheless, the Government regulations are not the reason for the growing disruption in our international supply chain.

What is the “international supply chain” anyway? A supply chain involves a series of steps involved to get a product or service to the customer. The steps include moving and transforming raw materials into finished products, transporting those products, and distributing them to the end user. Most readers of this article probably do not spend a lot of time at airports and seaports as I do daily. If you think about the coffee or tea you drink daily, you may realize that it was from beans or leaves from Brazil, Colombia, China, or Vietnam. The car you are driving is made of parts from all over the world even if assembled in Tennessee or Michigan. The mobile phone you are using is probably made in China. The clothes you are wearing right now could be from anywhere as varied as India, Honduras, or Haiti. Wherever you look, there are products all around you that were made in some country

other than the United States. Those products had to be made from raw materials, manufactured overseas, then transported to the United States, get through the labyrinth of the above Federal agencies, go to a distribution center, and then eventually to a store for your purchase. It is even all that more urgent for perishable products such as fresh fish, fresh flowers, and other fruits and vegetables that fly by air into the United States.

CBP processes about 700,000 passengers daily (every day!) into the United States, about 80,000 truck, rail, and sea containers enter the United States (every day!) which includes about 100,000 separate shipments for which CBP collects about \$225 million in customs duties (every day!). Statistically, CBP is busier than ever with the record amount of cargo being shipped to the United States as the American corporate and individual consumers goes on a buying binge! With limited capacity aboard cargo vessels, limited marine cargo terminals for vessels to dock and unload, limited chassis, limited number of truck drivers, and limited square footage of cargo warehousing space, the rules of demand and supply result in the cost of international transportation going up. The cost of moving a 40 foot ocean container from China to the United States is up over 400%+ in the past 2 years. Labor costs are up everywhere, and the combined result is inflation on the goods and services you and I purchase.

The White House has issued Executive Orders such as the February 24, 2021 "Executive Order on America's Supply Chain" issued by President Biden which stated "It is the policy of my Administration to strengthen the resilience of America's supply chains." On June 8, 2021, the Biden-Harris administration created a "Supply Chain Disruptions Task Force", which was described as "the launch of a new effort aimed at addressing near-term supply chain disruptions." While well intentioned, especially because the approach involves public-private cooperation, these efforts will not result anytime soon in real benefits.

The simple fact is that Americans are buying more and more merchandise (electronics, food, motor vehicles, furniture, construction materials, etc.) from overseas than ever before. China remains our #1 trading partner, and there is no reason to expect that to change despite former President Trump's additional tariffs of 25%, the record number of antidumping duty orders on Chinese products, and the intensive examinations by CBP officials of Chinese-manufactured products. The rapid decrease in imports in 2020 because of COVID-19, and equally rapid increase in 2021 have challenged the international supply chain. Over time, the new law titled "Infrastructure Investment and Jobs Act" passed by Congress and signed into law by President Biden in November 2021 will help. The United States is far, far behind other countries in terms of the quality of the seaports, airports, rail, and road construction.

Have you ever tried to count the number of ship-to-shore cranes operating round the clock at the Port of Shanghai, stood on a wharf next to a vessel that can hold 12,000 twenty foot containers, or watched cargo operations at "smart" ports in Hamburg, Germany or Rotterdam, The Netherlands? When you do, you will realize the gargantuan business of international trade, its challenges, and, after all is said and done – it still works very well!

Enjoy your Starbucks coffee from beans sourced from Colombia, drive the Lexus made in Japan, taste the delicious Chilean Sea Bass, and watch Manchester United play soccer on your iPad made in China. These are the benefits of a successful international supply chain. While health care workers certainly deserve praise for valiantly helping during the pandemic, the same respect should be accorded the men and women who are involved in the international supply chain - 24 hours a day, 365 days a year. Next time you see a trucker, longshoreman, or maybe even a CBP officer, waive and say 'thank you'.