



## APA Advisory - China Supply Chain Uncertainties Challenge U.S. Companies

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**SUBJECT:** COVID-19 Threat Further Complicates Fireworks Production/Shipping Uncertainties

There are ever growing concerns that the Coronavirus (COVID-19) outbreak will have a serious negative impact on U.S. businesses that are dependent on Chinese imports, including the fireworks industry. The health crisis further complicates an already uncertain climate for fireworks production and exports from China.

This [Washington Post article](#) captures the situation facing U.S. companies and highlights the variables which go beyond the number of employees allowed to return to work after weeks of quarantine. Factories will need enough raw materials to restore production, and enough protective masks to keep workers safely in place for the foreseeable future. They will also need Chinese truckers and functioning ports to ensure that goods can be transported to the U.S.. Supply Chain challenges will continue, even as reports circulate of Chinese workers being permitted to return to work.

### **Background**

The recent fireworks production challenges began following a [serious accident](#) at a Liuyang fireworks factory on December 4, 2019. Following this accident, the Chinese government called for an emergency halt in production and later in December the industry experienced a variety of production, warehousing, and shipping obstacles which created additional impediments to fireworks exports – see this [12/31/19 APA Advisory](#).

As was reported in the [February Sparks](#), in late January the outbreak of the COVID-19 virus in China's Hubei Province precipitated further production delays because of Chinese government attempts to contain the outbreak by delaying employees from returning to work after Chinese New Year's break. Unfortunately, thus far these efforts have proven unsuccessful and the COVID-19 continues to spread throughout China and to areas around the world.

### **What Does This Mean For the Fireworks Industry?**

At the recently completed APA Winter Conference, a session on China delved into the current situation. Representatives from Coppersmith Global Logistics provided insights on how logistics companies are attempting to navigate in these uncertain times. John Rogers, Executive Director of the AFSL provided an excellent overview of the Chinese National Standard (GB Standard) for fireworks and how it has been impacted by the December 4<sup>th</sup> accident. His presentation may be viewed [here](#).

AFSL reports that in recent days it has received requests for testing from a few shippers, primarily in Beihai but a few in Liuyang as well. These test requests appear to be from existing inventories at the factories and AFSL is unaware of any applications for newly manufactured products.

APA members and other industry trade organizations have reported that fireworks shipments should resume in March as warehouses return to work and transport permits are approved. However, it is remains unclear whether restrictions placed on containers shipped via Shanghai will remain in place. Moreover, many shipping companies have rerouted because of the lack of demand and because their crews are hesitant to visit Asian ports due to fear of COVID-19.

As the fireworks industry approaches its peak April-May shipping period, the next few weeks are crucial. Not only is the concern of inventory shortages growing globally, but the potential for demand on transportation capacity to "peak" once operations in China return to normal is rising. Whether ocean carriers will be able to handle such a surge following capacity reductions during the outbreak is unknown, as is the possibility of delayed deliveries should there be port congestion.

outbreak is unknown, as is the possibility of delayed deliveries should there be port congestion. These circumstances and uncertainties are causing anxiety for businesses around the globe.

Additionally, there is conflicting information as to whether the production and warehousing restrictions placed on exports of some 1.3G fireworks following the December 4 accident will remain in effect. The COVID-19 has created a climate of extreme uncertainty and has significantly weakened that country's economy, therefore Chinese officials could decide to temporarily suspend these restrictions.

### **Can the Coronavirus Be Transmitted to Persons from Imported Goods?**

Based on current information available from the Centers for Disease Control and Prevention (CDC), it appears that transmission of the COVID-19 from imported goods is highly unlikely. The CDC explains that, although there are still a lot of unknowns about COVID-19, "because of poor survivability of these Coronaviruses on surfaces, there is likely very low risk of spread from products or packaging that are shipped over a period of days or weeks at ambient temperatures." The CDC also reports that, "Currently there is no evidence to support transmission of COVID-19 in the United States associated with imported goods."

Based on the remote risk of transmitting the virus through imported goods, the good news is that, at this time, U.S. Customs and Boarder Protection (CBP) does not require companies to quarantine shipments received from China or otherwise change their handling of such goods which could increase costs and delays.

APA members also need to review their obligations to workers under OSHA regulations should the COVID-19 situation in this country intensify. This [short webinar](#) conducted earlier this month by Melanie Lopez Stratton, K&L Gates reviews the key OSHA provisions with regard to infectious diseases. We also urge companies to monitor updates from the Centers for Disease Controls and follow the [guidance they have provided for businesses](#).

Needless to say, the situation remains fluid with changes almost daily and we urge members to work directly with their overseas suppliers, logistic partners, and human resource personnel to assess the possible impacts on their operations. Our thoughts and prayers are extended to our Chinese friends and to all others who may be impacted.