June 4, 2020

On behalf of the American Association of Exporters and Importers (AAEI), we are distributing this Executive Summary of the Association’s COVID-19 Survey designed to measure the impact of the virus on AAEI members’ trade operations. This survey comprises of eleven (11) questions and was conducted over three (3) weeks from March 16-20, 2020 (Week 1), March 23-27, 2020 (Week 2), and March 30-April 3, 2020 (Week 3).

About AAEI

AAEI has been a national voice for the international trade community in the United States since 1921. AAEI represents the entire spectrum of the international trade community across all industry sectors. Our members include manufacturers, importers, exporters, wholesalers, retailers and service providers to the industry, which is comprised of customs brokers, freight forwarders, trade advisors, insurers, security providers, transportation interests and ports. Many of these enterprises are small businesses seeking to export to foreign markets. AAEI promotes fair and open trade policy. We advocate for companies engaged in international trade, supply chain security, export controls, non-tariff barriers, import safety and Customs and Border Protection issues. AAEI is the premier trade organization representing those immediately engaged in and directly impacted by developments pertaining to international trade. We are recognized as the technical experts regarding the day-to-day facilitation of trade, including the administration of and compliance with customs laws of the United States.

Executive Summary

On March 20, 2020, AAEI submitted a letter to the President with a series of relief measures to American businesses. Our recommendations were based on Week 1 results of AAEI’s COVID-19 survey asking American companies about the impact of COVID-19 and the President’s Coronavirus Guidelines for America on their trade operations and global supply chains. Based on the first week results of the survey (attached), a few key findings support our recommendations:

- Most company employees are telecommuting and/or reducing hours of operations. This slowdown is affecting companies’ ability to make regulatory filings (e.g., entry filings with U.S. Customs and Border Protection).
- A significant number of companies are building up more inventory of necessary product from source countries.
- Most companies have experienced a slowdown in obtaining product from other countries.
- The slowdown has affected both export and import shipments. The imbalance of shipping containers will affect American companies’ ability to export product from the United States to other countries.
Survey Results

As an initial question, we asked AAEI members whether their company’s supply chain has been affected by COVID-19. The overwhelming majority (Week 1) and then 100% (Weeks 2 and 3) of AAEI members have been affected by the virus.

For most respondents, the biggest impact of COVID-19 affected American companies supply chain with China.
Over the three-week period of the survey, a clear majority of American companies were impacted by the economic slowdown (e.g., shut down) in the source country.

As the chart below shows, there are a myriad of impacts that the slowdown has had on AAEI members and rank in the following order:

- Delayed the resupply of product from source country
- Caused interruption to U.S. operations, including inbound and outbound logistics imbalances.
- Inability to obtain product
- Drawn down U.S. inventory of product
- Late deliveries to customers
- Shift to other manufacturers for product
- Move production back to the United States
A distinctive feature of COVID-19 is that it prompted countries to impose both import and export restrictions. The chart below shows that these restrictions reached an equilibrium of fifty percent (50%) of companies were affected by export restrictions imposed by countries not affected by the virus.

Of all the countries that American companies source product, India was clearly the country identified the most as restricting the export of product.

As the measures to dampen the outbreak of COVID-19 lasted over the weeks of the survey, companies faced the increased likelihood of losing customers.
Of all the modes of transportation, air transport experienced the biggest change as countries ended passenger air flights which also carried cargo.

As the chart shows, the impact of COVID-19 was immediately felt by U.S. companies.

American companies reported taking a number of steps to reduce reliance on countries affected by COVID-19, most notably building up inventory of product and searching for product from other sources.
As “stay at home” orders persisted in the United States over the past few months, most companies reported that the slowdown in the trade operations impacted trade professional’s interactions with customs, principally the impact of company employees working from home. Moreover, a significant impact not captured in the survey was the difficulty of American importers paying customs duties, particularly on goods from China subject to section 301 duties which became onerous for companies that loss sales due to COVID-19.

Conclusion

As the data from AAEI’s COVID-19 survey responses show, the virus and related government-imposed restrictions have altered global supply chains and international trade operations.

Sincerely,

Marianne Rowden
President & CEO
March 20, 2020

The President
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Re: Relief Measures to Aid American Businesses

Dear Mr. President:

On behalf of the members of the American Association of Exporters and Importers (AAEI), we offer the following suggestions for relief measures that will go a long way toward providing immediate and substantial relief to American businesses. AAEI’s membership includes American manufacturers of aircraft, alcohol, apparel, automobiles, chemicals, defense systems, electronics, footwear, medical devices, pharmaceuticals, textiles, wine and spirits.

- Delay USMCA implementation until January 1, 2021, in order to allow our members to focus exclusively on the COVID-19 operational impacts.

- Extend the payment of all customs duties, taxes and fees from 30 days to 90 days, similar to the delay in paying income taxes to the Internal Revenue Service to improve cash flow for American businesses during this national emergency.

- Extend the time for companies to respond to all “paper-based” processing deadlines, regulatory notices, and actions issued by federal regulatory agencies, including the U.S. Customs and Border Protection, U.S. Food & Drug Administration, U.S. Department of Agriculture, In particular, we ask for a temporary extension of the regulatory (19CFR174.12(e)) protest period for finality of customs duties and decisions by 180 days after liquidation.

- Relax export controls and import regulatory requirements for essential products as many countries are instituting export controls on medical devices, pharmaceuticals and chemicals needed for pharmaceuticals (e.g., the EU has a ban out on all 27 EU countries now).

- Extend the exclusions to Section 301 tariffs on goods from China granted by the U.S. Trade Representative. These exclusions expire in a few months, but companies may not be able to take advantage of the exclusions due to supply chain interruptions.

- Suspend payment of Section 232 and 301 duties on goods imported from all countries.

- Refund to American companies the $53 billion collected (but not already refunded through exclusions or drawback) by U.S. Customs and Border Protection for section 232 and 301 duties.
All these measures will provide an immediate infusion of cash to the very companies that you seek to assist, simply by signing an Executive Order without the need for legislation.

Our recommendations above are based on a survey of American companies asking about the impact of COVID-19 and the President’s Coronavirus Guidelines for America on their trade operations and global supply chains. Based on the first week results of the survey (attached), a few key findings support our recommendations:

- Most company employees are telecommuting and/or reducing hours of operations. This slowdown is affecting companies’ ability to make regulatory filings (e.g., entry filings with U.S. Customs and Border Protection).
- A significant number of companies are building up more inventory of necessary product from source countries.
- Most companies have experienced a slowdown in obtaining product from other countries.
- The slowdown has affected both export and import shipments. The imbalance of shipping containers will affect American companies’ ability to export product from the United States to other countries.

We hope that you consider these proposals and take immediate action on them to signal that your Administration will take whatever action is necessary to support American businesses to maintain their current operations until the national emergency on COVID-19 subsides. Should you wish to reach me directly, please call 202-857-8009 ext. 1105 or e-mail mrowden@aaei.org.

Sincerely,

Marianne Rowden
President & CEO

Attachment

cc: Senator Charles Grassley, Chairman, Senate Finance Committee
Representative Richard Neal, Chairman, House Ways and Means Committee
Wilbur Ross, Secretary of Commerce
Chad Wolf, Secretary of Homeland Security
Ambassador Robert Lighthizer, U.S. Trade Representative
8% of companies experiencing Export only slowdowns.

41% of companies experiencing Import Only slowdowns.

13% Sea Transport Impacted

67% impacted by source country slowdown.

Of the 67%:
- 56% China
- 10% Italy
- 30% All others

13% of companies responding has been affected by supply chain disruption.

82% of companies responding has been affected by supply chain disruption.

2% Ground Transport Impacted

51% of companies experiencing both Import & Export slowdowns.

44% Telecommuting
21% Reduced hours
56% Will impacted by source country slow down.
China 56%

62% Air Transport Impacted

41% of companies experiencing Import Only slowdowns.

Impact on Interaction with Customs.
- 44% Telecommuting
- 21% Reduced hours
- 56% Will impacted by source country slow down.
- China 56%

Uncertainty
- 67% impacted by source country slowdown.
- 16% Inability to obtain products
- 18% Source Country Delays
- 14% Drawn down U.S. inventory
- 13% Late deliveries

Interim Solutions
- 33% Build up more inventory
- 13% Find manufacturer in other countries
- 11% Shift production to best value country
- 14% Drawn down U.S. inventory
- 29% Other Solutions or nothing

82% of companies responding has been affected by supply chain disruption to customers.

Data and Information Brought to you by AAEI