

International Trade Impacts of The Coronavirus: Update On Government And Industry Actions And Key Considerations For Trade Compliance Professionals

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The new coronavirus, SARS-CoV-2, and the disease it causes, COVID-19, have created diverse, complex, and immediate challenges for world governments, multinational businesses, and other international institutions and projects. While the effects of COVID-19 are first and foremost a humanitarian issue, its effects also cut across many aspects of international trade, including supply chain management, business travel, immigration, manufacturing, sales, importing, exporting, customs, and logistics.

This alert highlights important developments and offers related analysis and tips regarding the international trade impacts of COVID-19. The alert is designed particularly for in-house international trade professionals, including compliance personnel and trade attorneys, although it may be helpful to a wide audience in business and government. Specifically, we highlight challenges for trade compliance professionals, provide trade compliance considerations and a checklist, and compile relevant articles related to government actions and industry impacts that are representative of some of the issues that have emerged in international trade.

Effects on International Trade and Trade Compliance Professionals

As governments continue to act to respond to the virus, companies may begin contemplating significant and potentially far-reaching decisions to adjust to the new reality of COVID-19: questioning the reliability of supply chains and examining sales, operations, and manufacturing plans to react and adapt to new and rapidly evolving risk factors. The tariff and regulatory actions of the past several years have already led some companies to examine their international trade flows more closely. As events continue to unfold, a serious evaluation of changing suppliers, altering logistics routes, and updating sourcing will become more likely as companies navigate these events in search of a safe harbor.

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Trade compliance professionals should be connected to these changes within their organizations to help ensure that the new reality does not result in inadvertent compliance issues, violations, or penalties—as well as operational costs to unwind noncompliant activities—in the future. No organization wants to redesign their business activities and incur significant transaction costs and disruption only to find out later that their redesign is in violation of export control, customs, sanctions, or other trade laws. As the situation continues to develop, global trade compliance professionals should be monitoring these issues at their organizations to ensure that they, and their compliance programs, are part of the evolving conversation and that key stakeholders are making decisions with the benefit of input from trade compliance.

The following are highlights of trade-related government actions and effects on companies:

- Over **80 countries** have issued **travel restrictions** applicable to visitors from China, South Korea, Iran, Italy, and other regions.
- **Germany, France, India, and other countries** have issued export bans on medical protective equipment, drug ingredients, and medicines, citing increased global demand and concerns of domestic undersupply.
- The **United Kingdom** has asked pharmaceutical suppliers to carry out risk and impact assessments of coronavirus on their business and to retain existing stockpiles of medical supplies, while urging the public and the National Health Service (NHS) not to stockpile supplies to avoid critical supply chain disruptions.
- **France** has ordered a review to identify French industries that rebuild “economic and strategic independence” from Asia-based supply chains, highlighting the pharmaceutical industry as over-reliant on Asia, as well as the automotive and wine industries.
- The **United States** enacted an \$8.3 billion emergency spending bill to fund the U.S. response to COVID-19, tripling the President’s budget request.
- The **U.S. Office of Foreign Assets Control (OFAC)** has issued guidance on authorized humanitarian aid to Iran and warning against unlicensed transactions, such as those with Specially Designated Global Terrorists like the Iranian Revolutionary Guard Corp, which is playing a significant role in Iran’s COVID-19 response.
- **Electronics manufacturers** have been told by suppliers to expect COVID-19-related shipping delays, and greater than a third of electronics manufacturing executives expect delays of up to six weeks or longer.
- **The global shipping industry** is losing approximately \$350 million per week due to COVID-19, and the effects of canceled sailings and upended logistics are causing major issues in global shipping industry, such as a surplus of refrigerated containers stranded in China and short-supply elsewhere, although there are some signals last week that China manufacturing is coming back online, and related ocean container traffic and trade flows may follow.
- The **airline industry** may lose an estimated \$60 billion to \$110 billion, while the **business travel industry** is losing an estimated \$46 billion per month as companies cut business travel.

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More detailed summaries of particular actions and hyperlinks to sources are provided below.

Trade Compliance Program Continuity, Considerations, and Checklist

Compliance program continuity should be maintained as business disruptions proliferate. To the extent that compliance personnel need to conduct travel and site visits for audits, compliance training and education, internal investigations, or compliance consultations, companies should identify and deploy alternative means to accomplish the same objectives. Alternatives may include the use of videoconferencing and web tools, establishment or reallocation of regional compliance personnel, utilization of outside consultants or advisors, or other means that can demonstrate continuity in the implementation of compliance program safeguards. For example, compliance communications are an effective means of reminding personnel of the importance of maintaining effective compliance safeguards despite disruptions in other areas of operations. Such communications also generate a record that reflects well on a company and can be shared, if necessary, with regulators, stakeholders, or investors to document continuity in a company's compliance program commitments.

In particular, communications should be structured to remind business personnel to spot and raise issues that could have trade compliance impacts as they react to, and take action in, the changing commercial environment. For example, business personnel should be sensitized to the following:

- Are you considering changing a supplier?
- Are you considering selling to a new customer or country?
- Are you thinking of using different inputs or materials in manufacturing?
- Will you be adjusting operations to involve new or modified items?
- Will your new plans require you to alter importing or exporting activities in any other way?
- Will you need to use a new customs broker, freight forwarder, or carrier?
- Will travel restrictions require non-U.S. personnel to access new IT databases or locations?
- Will a new third party or country be involved in any other way?
- Will the end-use of your items be changing?
- Will the company provide ongoing services or support to new parties or countries?

Such simple questions could help surface a range of issues in international trade compliance, as well as:

- Restricted party screening;
- Export and sanctions licensing/authorization requirements;
- New country of origin issues under customs laws, and foreign direct product and de minimis issues under export laws;
- Access to export-controlled information; and
- Customs tariff impacts resulting from new supply chain routes and product mixes.

Trade compliance personnel should tailor the analysis to their business. They should also keep updated on information through sources that they might not normally check. For example, in addition to reviewing online guidance from U.S. officials (e.g., U.S. Customs and Border Protection, Bureau of Industry and Security, Office of Foreign Assets Control, Import Administration, Directorate of Defense Trade Controls, and White House), trade compliance personnel should stay informed and updated through other public and private resources. Online resources to track as the situation develops include:

- [Johns Hopkins University COVID-19 Tracker and Dashboard](#) (aggregates, cross-references, and visualizes COVID-19 outbreak data in real-time from the World Health Organization (WHO), Centers for Disease Control and Prevention (CDC), European Centre for Disease Prevention and Control (ECDC), and other international sources).
- [IATA – Coronavirus Travel Restrictions by Country](#) (updated with global travel restrictions related to COVID-19).
- [WHO Coronavirus Homepage](#) (global updates, FAQs, and guidance).
- [U.S. CDC Coronavirus Homepage](#) (U.S. updates, FAQs, and guidance).
- [U.S. State Dept. Coronavirus Notifications](#) (updates on U.S. travel and immigration policy).
- [European CDC Coronavirus Homepage](#) (EU updates, FAQs, and guidance).
- [DXY Coronavirus Homepage](#) (online community of Chinese health care professionals).

More generally, U.S. employers should consider applicable legal frameworks (such as Occupational Safety and Health Administration (OSHA) requirements for safe work places and relevant CDC guidelines) and be proactive in developing measures to respond to the impact of COVID-19. Monitoring developments, establishing an infectious disease outbreak response plan and infrastructure, and engaging in strategic contingency planning are all steps that companies can take to mitigate negative effects of the virus. For additional guidance, see Akin Gump's recent special bulletin, [Guidance to Employers for Responding to the Coronavirus](#) (Mar. 3, 2020) and Akin Gump's [COVID-19 Resource Center](#).

Examples of Trade-Related Government and Industry Actions and Impacts

This section provides examples, along with links to sources, of trade-related government and industry actions and impacts. The information in this section are summaries of the information contained in the sources and has not been independently validated by Akin Gump.

Responses by Government and Public Institutions

This section of the report summarizes notable developments and responses from governments, health organizations, and other public institutions, including guidance, advisories, regulatory changes, and legislative developments.

Over 80 Countries Issue Travel Restrictions Related to COVID-19 as U.S. Reduces Services and Staff in China

Over 80 countries have issued travel restrictions related to COVID-19. Most of the restrictions apply to inbound travelers from or transiting through China, South Korea, Iran, and Italy. The restrictions vary from quarantine periods to outright denial of entry. The United States bars visitors that have been to China and Iran 14 days prior to arrival, implementing a 14 day quarantine. The U.S. State Department has suspended regular visa services in China embassies and consulates. (IATA, accessed Mar. 5, 2020)

U.S. Directs In-Bound Flights from China and Iran to Certain Airports

The Secretary of the Department of Homeland Security (DHS) directed all flights to the United States carrying persons who have recently traveled from, or were otherwise present within, the People's Republic of China, as well as flights covered by arrival restrictions regarding Iran, to arrive at one of the United States airports where the United States Government is focusing public health resources: JFK, ORD, SFO, SEA, HNL, LAX, ATL, IAD, EWR, DFW, and DTW. (CBP, accessed Mar. 9, 2020)

Countries Have Begun Issuing Export Bans on Medical Protective Equipment, Drug Ingredients, and Medicine to Protect Domestic Supply

A number of countries have implemented or are considering export bans on medical protective equipment, drug ingredients, and medicine to counter concerns of short-supply. Despite recommendations from the Health Security Committee and continued attempts to engage in joint procurement, the European Union (EU) has so far failed to convince France, Germany, and other member countries to coordinate further on supply chains for medical protective equipment, resulting in export bans on those items. Germany issued a ban on the export of medical protective equipment used to prevent the transmission of infectious diseases, effective immediately and implemented to mitigate the potential for domestic undersupply, with German authorities citing significantly increased global need as a contributing concern. While the EU has initiated a joint procurement effort, sufficient supplies may not be available before April. India has also banned the export of certain drug ingredients, and medicines made from them, over fears of a global shortage, and Thailand has initiated a ban on mask exports. Export bans have also been implemented by Russia and Turkey. The drug ingredient and medicine bans in particular may exacerbate existing issues resulting from the overall suspension of output from drug ingredient makers in China and other affected markets. White House adviser Peter Navarro criticized the export bans by "putative allies" and cited them as evidence that the U.S. was "alone" when it came to global public health emergencies. (BAFA, Mar. 4, 2020) (BBC, Mar. 4, 2020) (Reuters, Mar. 6, 2020)(Health Security Committee Report, Mar. 2, 2020) (FT, Mar. 5, 2020)

UK Department of Health and Social Care Advises Against Stockpiling Medical Supplies

Pharmaceutical suppliers have been asked to carry out risk assessments of the impact of COVID-19 on their business and retain existing stockpiles of medical supplies. The UK Department of Health and Social Care urges the public and the NHS not to stockpile, as this could aggravate supply chain issues. Health Minister Nicola Blackwood noted that there are no current medicine shortages in the UK. (Department of Health and Social Care Statement, Feb. 11, 2020)

French Finance Minister Orders Re-Evaluation of Asia Supply Chains, Calling Out Pharmaceuticals, Automobiles, and Wines

The French Finance Minister, Bruno Le Maire, pressed for a review to determine which French industries need to reduce their dependence on suppliers from China and Asia and rebuild “economic and strategic independence.” The pharmaceutical industry was highlighted in particular, with Le Maire claiming that 80 percent of the raw materials for active agents in some drugs are sourced from China or Asia. The automotive and wine industries were also cited for their over-dependence on Asian suppliers. However, Le Maire estimated that supply chain issues caused by COVID-19 would only shave off 0.1 points on French economic growth. ([Reuters](#), Feb. 21, 2020)

U.S. Enacts \$8.3 Billion Emergency Spending Package to Fund COVID-19 Response

On March 6, 2020, President Trump signed an emergency spending bill approved by the U.S. Congress the prior day to address COVID-19 issues. The spending package includes \$3 billion to fund COVID-19 vaccine research and development, as well as \$2.2 billion to help the CDC fund the response by federal, state, and local health agencies. The bill also includes \$1.25 billion to fund related State Department operations and humanitarian assistance abroad. The remaining funds will be used to address various other COVID-19-related issues, such as funding to support low-interest loans for small companies affected by the outbreak. The spending package more than tripled the size of the Trump administration’s budget request and consists of all new money, instead of drawing from programs addressing other issues, such as Ebola. ([WaPo](#), Mar. 4, 2020) ([NBC](#), Mar. 4, 2020) ([The Hill](#), Mar. 6, 2020)

U.S. Officials Issue Guidance on Authorized Humanitarian Aid to Iran Amid Sanctions

On March 6, 2020, OFAC issued guidance in the form of online FAQs regarding authorized humanitarian trade to Iran in response to the outbreak of COVID-19. The guidance highlights that the United States government maintains exemptions and authorizations that permit donations, commercial sales, and exports of humanitarian goods (including medicine and medical supplies) to Iran or the Government of Iran, subject to certain conditions. OFAC advises individuals, companies, and non-governmental organizations contemplating such activity to consult the relevant sections of the Iran Transactions and Sanctions Regulations and associated guidance to ensure compliance with U.S. sanctions laws. Importantly, OFAC highlights that any such business cannot involve unlicensed transactions with Iranian persons or entities designated as Specially Designated Global Terrorists. This designation applies to Iran’s Islamic Revolutionary Guard Corps (IRGC) which, according to recent media reports, has taken a lead role inside of Iran in responding to the COVID-19 outbreak. ([OFAC](#), Mar. 6., 2020) ([NYT](#), Mar. 7, 2020)

Responses and Impacts on Global Industry and Supply Chains

This section of the report summarizes notable developments and responses from global industry and private actors, including supply chain disruptions and other impacts.

Electronics Manufacturers Expect Coronavirus to Delay Shipments for Several Weeks, According to IPC Survey

A February member survey conducted by IPC, a global trade association of electronics manufacturers, indicates that 65 percent of members had been told by suppliers to expect, on average, delays of up to three weeks due to COVID-19. However, confidence in supplier estimates appears to be low—although 91 percent of members reporting such delays had been quoted less than four weeks, at least 37 percent of executives expect shipments to be delayed for six weeks or longer. Overall, 84 percent were concerned about the impact of COVID-19 on their workforce and business operations. Due to the reliance of the electronics manufacturing industry on international supply chains of parts, components, and sub-assemblies, such disruption could have significant impacts in regions outside of currently recognized outbreak areas (e.g., China). ([IPC Report](#), Feb. 2020) ([CNBC](#), Feb. 25, 2020)

Shipping Industry Suffers \$350 Million a Week Loss from Supply Chain Slowdown, While Upended Shipping Logistics Cause Problems at Major Ports

The International Chamber of Shipping estimates that the virus is costing the shipping industry \$350 million a week in lost revenues. A record two million containers of seaborne shipping capacity were idled in late February, more than the 1.5 million idled at the height of the 2009 global financial crisis. In particular, refrigerated containers remained stranded in China, causing short-supply elsewhere. There has been an estimated 0.7 percent reduction in global traffic in the first quarter of 2020 alone, but the consequences could be much higher for specific ports, depending on the duration of the crisis. In Europe, Rotterdam and Hamburg have been hit the hardest. One estimate for the port of Rotterdam shows an annual reduction of 1 percent, or 150,000 containers. In the U.S., the ports of Los Angeles and Long Beach have been struggling with container logistics problems, operating at a third of normal gate capacity and tripling drop off/pick up times for container trucks as the effects of the disruption cascade. Due to the time it takes goods to arrive from Asia by sea, the full impact of subsequent distribution to U.S. rail shipping may not be seen until late March or early April. Shipping and logistics disruptions may be particularly harmful to the U.S. agricultural industry, which is still reeling from the trade war and heavily reliant on refrigerated containers to access international markets. Although the return of port workers and truckers from the Chinese New Year holiday has helped mitigate some of the immediate effects at Chinese ports, significant uncertainty and problems remain. Companies that track international container shipping reported that 77 container-ship voyages have been cancelled due to the coronavirus. However, one company is reporting that major Chinese ports are “coming to life” as Chinese manufacturing took steps towards normal last week as quarantine periods in many areas came to an end and travel restrictions were eased. ([International Chamber of Shipping Press Release](#), Feb. 26, 2020) ([European Commission COVID-19 Macro-economic Outlook](#), accessed Mar. 5, 2020) ([WSJ](#), Mar. 5, 2020) ([American Shipper](#), Mar. 4, 2020) ([American Shipper](#), Mar. 6, 2020)

Airline Industry Set to Lose between \$60 billion to \$110 billion in 2020 due to COVID-19 and Business Travel Industry Losing Estimated \$46 Billion per Month as Industry Cuts Business Travel and U.S. Government Considers Federal Intervention

As major companies worldwide like Amazon, Nestle, L'Oreal, Starbucks, and Facebook are restricting business travel and telling employees to work from home, the airline and travel industry has been reeling from the impacts of the virus. An airline industry trade group estimated that COVID-19 could cost the industry between \$60 billion and \$110 billion in 2020, and the Global Business Travel Association estimates that the business travel industry is losing \$47 billion a month. Major airlines are reporting reductions in ticket sales and airlines like American have suspended routes to China and other locations with outbreaks, due in some cases to decreased demand, and in others resistance from airline workers and pilots to travel to countries with significant outbreaks. Also at risk are the businesses supported by airports and traveler volume, including taxis, hotels, restaurants, and retail outlets, and these businesses support an estimated 12.5 million jobs in Europe alone. United Airlines indicated it would reduce its international schedule by 20 percent, and shares in airline companies were down as much as 13 percent on March 5. Even domestic airlines have also seen a recent and sharp drop in bookings compared to last year. White House economic adviser Larry Kudlow confirmed that the Trump administration was considering some kind of federal intervention or assistance to affected businesses, singling out the airline industry as facing particularly significant challenges. (NYT, Mar. 5, 2020) (AP, Mar. 4, 2020) (WaPo, Mar. 6, 2020)

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