MAY 2024

Impacts of Trade Tensions Between the U.S. & China

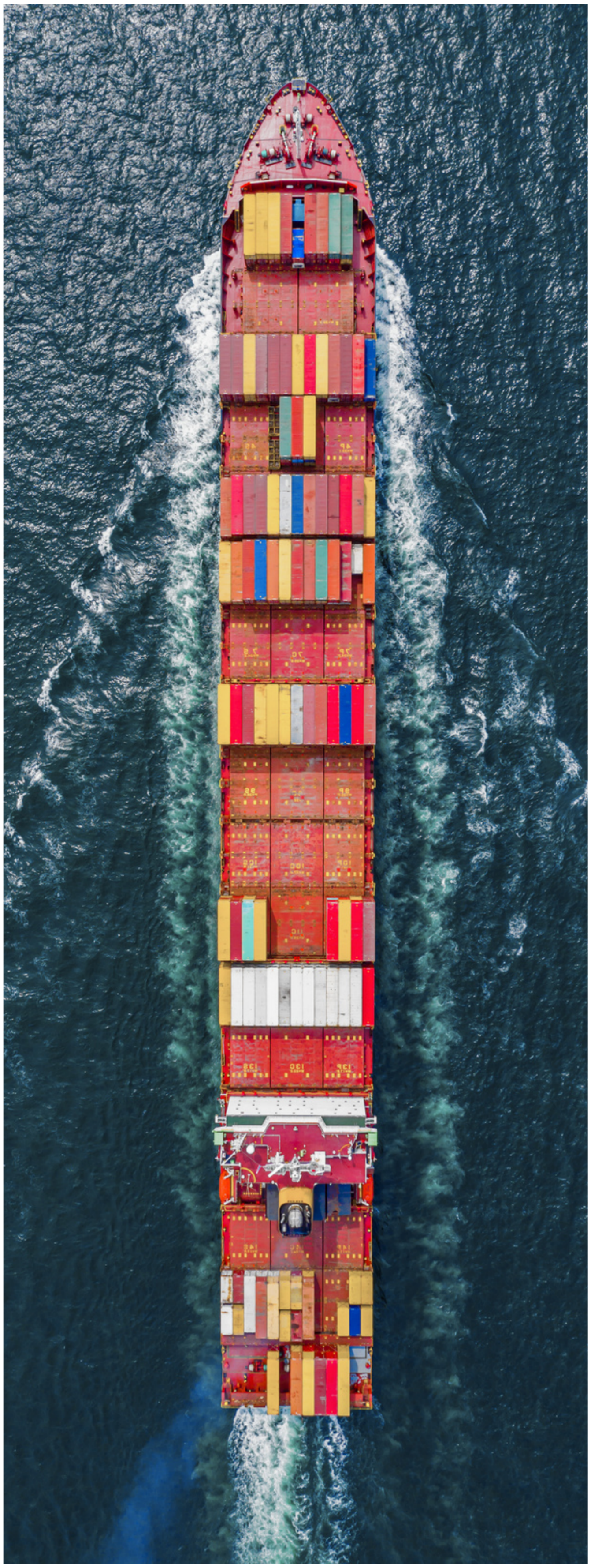
WHITE PAPER

TRANCO GLOBAL

INCREASED DUTIES ON CHINESE IMPORTS

The Biden administration has recently increased duties on a targeted group of Chinese imports, including electric vehicles (EVs) and semiconductors. Prior to this, former President Donald Trump indicated that, if he were to win a second term, he would impose tariffs of 60% or more on Chinese products. With both political parties now signaling a tougher stance on trade, many importers are worried about the impact these potential increases could have on the cost of holiday imports and other goods. There is growing concern that the scope of these duty increases will not be confined to the China trade lane, and could extend beyond the holiday season.

To avoid future duty increases, many U.S. importers are accelerating their purchasing schedules. As a result, warehouses and transportation services are experiencing a surge in demand. This is already having an immediate impact on the logistics industry in a variety of ways.



OCEAN FREIGHT RATES INCREASING

Ocean spot rate futures have risen by $1,000-$1,500 per container, with indications that rates may continue to increase. Importers from other Asian markets, such as Vietnam and Korea, are also feeling the pressure as shipping lines allocate more capacity to the increased demand from Chinese ports. Ocean freight rates are being further impacted by transit restrictions at the Suez and Panama canals.

PORT CONGESTION & DRAYAGE CAPACITY

Even if shipping schedules are moved up slightly, U.S. ports, especially on the West Coast, have limited capacity to handle the increases. Higher volumes will create pressure on the broader port ecosystem, affecting drayage, warehouse transloading, and rail capacity coming out of these ports. On the East Coast, the threat of an International Longshoreman's Association (ILA) strike adds to the concerns.

WAREHOUSING MARKET SHIFTS

While importers typically aim to minimize warehousing, the threat of increased import costs may outweigh concerns about carrying costs. In this environment, importers are seeking more warehouse space to accommodate increased inventory.

LONG TERM SOLUTIONS

The mounting concerns by U.S. importers regarding their heavy reliance on overseas suppliers, particularly in China, are driving increased interest in nearshoring suppliers in Mexico. This shift is influenced by trade tensions and tariffs. Additionally, Mexico's competitive labor costs, skilled workforce, and favorable trade terms under the USMCA make it an attractive alternative.

As a full-service international freight forwarder with offices in Los Angeles, Chicago, Seattle, Atlanta, and Chattanooga, the Tranco Global team is committed to providing logistics solutions that meet your unique needs.

Please reach out to your Tranco solutions specialist or contact marketing@trancoglobal.com for more information.

TRANCO global