

## Current Trade Matters

### Trade is high up on the policy agenda

#### **Economic Development: COVID-19 Pandemic Control Causes Huge Collateral Damage**

Since the declaration of a state of emergency in the US in March, the government and legislators have been concentrating on health protection. In addition, companies are being provided with liquidity to save economic substance. Where company closures and staff reductions prove unavoidable, NGOs, authorities and employment offices cushion social hardships. The unemployment rate is rising rapidly, heading towards the 20 percent mark at the end of April. Since mid-March, 26.5 million people have lost their jobs, so that the total number of registered Arbeitslosen now exceeds 30 million.<sup>1</sup> Read [more](#).

#### **Postponement of US Duties**

A coalition of over 470 companies has written to President Trump asking him to postpone payment of all US duties and fees for May and June. This would provide economic relief for companies during the Corona pandemic. The current executive order not to pay certain import duties for March and April would only benefit some companies. All sectors of the economy should be relieved of duties in May and June, the letter said. The capital released could then be used to keep businesses running and secure jobs.<sup>2</sup>

#### **US Treasury Department Issued an Interim Regulation**

On 29 April 2020, the US Treasury Department issued an interim regulation, effective 1 May 2020, concerning the applicable fees for the submission of formal notifications to the Committee on Foreign Investment in the United States, which essentially implemented the regulation proposed on 9 March 2020. The rule on the implementation of submission fees will be adopted as an interim rule, rather than a definitive rule, to allow potentially interested parties who would not have been able to comment due to the unique challenges posed by the COVID-19 pandemic, an additional period until 1 June

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<sup>1</sup> <https://bit.ly/2WxqZpQ>

<sup>2</sup> <https://bit.ly/2SB4H5F>

2020. In the meantime, however, the Ministry of Finance will start charging fees on 1 May 2020.<sup>3</sup> Find out [more](#).

### **Federal Emergency Management Agency Permit Requirement**

On April 10, the Federal Emergency Management Agency (FEMA) decreed a mandatory permit requirement for the export of certain personal protective materials due to the COVID-19 crisis. This allows the US government to block the export of scarce medical resources such as filtered respirators, respirators, surgical face masks and gloves for national defense. Excepted are export deliveries made to fulfill existing contracts (since January 1, 2020) if the US manufacturer concerned has sold at least 80 percent of its domestic production (on an item basis) in the US market in the last 12 months. The regulation instructs CBP to withhold shipments until it is determined whether they are eligible for export under the new regulation. The permit requirement is initially limited to 120 days, and FEMA reserves the right to make other scarce or critical goods subject to the regulation.<sup>4</sup>

In mid-March, the US also relaxed punitive tariffs for Chinese protective materials. Against the background of the strong dependence on medical devices and protective material from China in the fight against COVID-19, their simultaneous burden of high punitive tariffs represents an additional complication. The US Department of Commerce has therefore suspended punitive tariffs on certain protective materials (masks, suits, etc.) until September 1, 2020. The fact that trade barriers do not make the fight against COVID-19 easier but severely impede it has recently prompted the European Union to waive export restrictions on medical protective materials in trade with Switzerland. It is to be hoped that the trade dispute between the US and China will not remain a matter of selective and temporary trade policy alleviation.<sup>5</sup>

### **WTO Dispute Settlement – Interim Appeal Arrangement for WTO Disputes Becomes Effective**

On April 30, the EU and other WTO members have formally notified the ‘Multi-party interim appeal arbitration arrangement’ (MPIA) to the World Trade

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<sup>3</sup> <https://bit.ly/2z9aHvq>

<sup>4</sup> <https://www.economiesuisse.ch/de/artikel/news-ticker-entwicklungen-im-internationalen-handelsstreit>

<sup>5</sup> <https://www.economiesuisse.ch/de/artikel/news-ticker-entwicklungen-im-internationalen-handelsstreit>

Organization (WTO). This notification marks the start of the application of the MPIA to disputes arising between the participating WTO members.<sup>6</sup>

The MPIA ensures that participant WTO members will continue to benefit from a functioning 2-step dispute settlement system in the WTO including the availability of an independent and impartial appeal stage.

These are currently Australia; Brazil; Canada; China; Chile; Colombia; Costa Rica; the European Union; Guatemala; Hong Kong, China; Iceland; Mexico; New Zealand; Norway; Pakistan; Singapore; Switzerland; Ukraine and Uruguay. Additional WTO members may join the MPIA at any time. Inclusiveness is an important feature of the MPIA that is designed to offer stability to WTO dispute settlement, despite the Appellate Body's paralysis.

The MPIA will operate under the WTO framework, based on a provision in the WTO's Dispute Settlement Understanding (DSU) for dispute arbitration (Article 25 DSU). It is based on the usual WTO rules applicable to appeals, but also contains some novel elements to enhance procedural efficiency. The interim appeal arrangement is not intended to supplant the WTO's Appellate Body. This is a stopgap measure. As soon as the Appellate Body is again able to operate, appeals will be brought before the Appellate Body.

The subscribing WTO members will now start putting in place a pool of 10 arbitrators that could be called on to hear future appeals. The aim is to have the composition of this pool finalized within three months from now. Arbitrators to serve on specific appeals will be drawn randomly from that pool

### **Airbus and Boeing Punitive Tariffs**

EU punitive tariffs on the import of US goods were regarded as a sure thing in the dispute over US subsidies for Boeing in recent months. The WTO ruling on which the EU Commission could or will rely for the level of the duties is expected in June 2020. However, it remains to be seen how the current COVID 19 situation will affect trade policy relations between the US and the EU.<sup>78</sup>

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<sup>6</sup> <https://trade.ec.europa.eu/doclib/press/index.cfm?id=2143>

<sup>7</sup> <https://www.tagesschau.de/wirtschaft/boerse/airbus-coronakrise-101.html>

<sup>8</sup> <https://www.tagesschau.de/wirtschaft/boeing-corona-101.html>

### **Current background on the situation at aircraft manufacturers**

Boeing announced on 1 May 2020 that it had raised 25 billion US dollars (23 billion euros) from investors by issuing bonds. This step would mean that Washington would not have to apply for state financial aid.<sup>9,10</sup>

Airbus has secured a new credit line of over 15 billion euros, cancelled the dividend for 2019 and suspended the increase in the company pension fund. In addition, production of passenger aircraft will be cut back by about a third due to the pandemic. Further adjustments are not expected before June, said CEO Faury.

### **UK-US Trade Agreement**

The United Kingdom and the US opened the first round of talks on a future trade agreement on Tuesday. London had made this a top priority after its withdrawal from the EU. The talks with Washington will run parallel to the post-Brexit negotiations with the EU.<sup>11</sup>

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<sup>9</sup> <https://www.tagesschau.de/wirtschaft/boeing-corona-101.html>

<sup>10</sup> <https://www.tagesschau.de/wirtschaft/boerse/airbus-coronakrise-101.html>

<sup>11</sup> <https://bit.ly/3bmAuha>

### **Communications and Government Relations**

Ann-Cathrin Spranger  
Communications Specialist  
T +49 69 929104-43  
E [aspranger@amcham.de](mailto:aspranger@amcham.de)

Philipp Mittag  
Specialist, Government Relations  
T +49 30 2130056-24  
E [pmittag@amcham.de](mailto:pmittag@amcham.de)