



## **FJATA NEWSLETTER**

**March 2022 Edition**



### **U.S. BANS IMPORTS OF ENERGY FROM AND EXPORTS OF LUXURY GOODS TO RUSSIA**



*President Biden on March 8<sup>th</sup> announcing the U.S. ban on Russian energy imports*

The U.S. and several other countries are imposing Russian sanctions and banning certain imports in efforts to decrease Putin's economic resources during his on-going attacks on the Ukraine. On March 8, 2022, President Biden signed an Executive Order (EO) imposing a ban on imports of Russian energy sources. The ban refrains entry of Russian oil, some petroleum products, liquified natural gas, and coal from entering the U.S. This EO also prohibits American investments in Russia's energy sector or financial contributions to foreign entities investing in Russian energy.

The White House briefing notes the effects of increased prices for Americans, specifically at the gas pump, and mentions the importance of maintaining a level of supply that meets demand while the long-term goal of affordable clean energy is developed in a practical manner. For the short-term, energy production in the U.S. needs to be increased, but oil and gas companies "should not use Putin's war as an excuse for excess price increases or padding profits".

On March 11, 2022, Biden affirmed another EO related to Russian goods, restricting people in the U.S. or U.S. citizens anywhere from doing the following:

- Importing Russian fish and seafood products, alcoholic beverages, non-industrial diamonds, and any other Russian determined by the Secretary of the Treasury, Secretary of State, and the Secretary of Commerce

- Exporting or selling luxury goods or U.S. dollar-denominated banknotes to anyone located in Russia, regardless if the sale is direct or indirect through a foreign entity
- Giving investments to any sector of the Russian economy determined by the Secretary of the Treasury and Secretary of State
- Financing or supporting a foreign person conducting actions that would be prohibited for a U.S. citizen or person within the U.S. to do under this EO's orders

This EO is expected to keep Russia from \$1 billion in export revenues and may not be the last bans the U.S. imposes.

The U.S. and over 30 countries, together representing well over half of the global economy, have implemented various Russian sanctions. Though smaller countries may not be able to afford giving up such necessary goods like their energy supply, overall, the actions have had a substantial effect on Russia's economy and caused the value of the ruble to be now worth less than one penny. The G7 nations, the U.S., Canada, France, Germany, Italy, Japan, and the U.K., are currently working on weaken Russia's standing further. The latest efforts include removing Russia's most-favored-nation status which will keep them from receiving WTO member benefits and decreased tariffs on imports.

## **U.S. PUTS TRQ ON UK STEEL AND ALUMINUM IMPORTS**

The U.S. is replacing Section 232 tariffs on steel and aluminum from the UK with lowered tariff-rate quotas (TRQ). Section 232 tariffs currently subject steel and aluminum to a 25% and 10% tax, respectively, but on June 1, 2022, when the TRQs go into effect, these rates will be lowered for certain quantities imported. The following is the details of the TRQ for steel products from the UK:

- The TRQ for steel products from the UK will be set at .5 million metric tons per product category. There will be 54 product categories and they will be named before June 1. The TRQ will be reviewed each year and contrasted with data from the World Steel Association. If the demand of steel increases or decreases by 6%, the U.S. will increase or decrease the TRQ by 3% respectively.
- To be eligible for the TRQ, there must be valid evidence that the product's country of origin is the UK and it was "melted and poured" there. If the product's origin is of an EU country, the TRQ may apply on the condition it was "melted and poured" in the UK and the annual imports stay below 37.8 thousand metric tons.
- Products entering beneath the quota will not have to pay Section 323 tariffs, but products entering above the quota will. Products not eligible for the TRQ will continue to be subject to the 25% tax.
- The TRQ will be administered on a quarterly basis and allocated in a first-come, first-served basis for each of the product categories. If any TRQ volume goes unused, it will roll over into the next quarter.

## **352 SECTION 301 TARIFFS REINSTATED BY USTR**

After taking public comments on which Section 301 tariffs exclusions should be extended (out of a certain 514), Katherine Tai, the U.S. Trade Representative (USTR), announced on March 23, 2022, the reinstatement of 352 of those exclusions. These exclusions have been expired but will apply retroactively to October 12, 2021, until December 31, 2022.

This announcement comes with no indication that more products will be permitted Section 301 tariffs exclusions, despite push from U.S. businesses and some Congress members. Renewal of Section 301 was included in the U.S. Innovation and Competition Act which passes with wide bipartisan support but was removed from the legislation when the House of Representatives altered with the America COMPETES Act. Their reasoning was that the USTR should handle the Section 301 exclusions.

## **DOJ AND FMC REAFFIRM PARTNERSHIP**

The Department of Justice (DOJ) and the Federal Maritime Commission (FMC) have announced new collaborative efforts to strengthen the U.S. supply chain and promote competition. Both agencies focus heavily on limiting illicit activity that detract from economic growth, making this a hopeful partnership. In July 2021, the agencies constructed the Memorandum of Understanding (MOU), which furthers communication between the FMC and the DOJ's Antitrust Division to better enforce antitrust and competition laws throughout the shipping industry. This led to the creation of the Shipping Act and conversation among attorneys, economists, and technical experts. The DOJ and FMC are now looking to build from this.

This new collaboration will have attorneys and economists from the Antitrust Division working with the FMC directly in efforts to decrease violations of the Shipping Act and similar legislation. On the other side, the FMC will provide the DOJ with their expertise in the maritime industry to enforce the Sherman Act and Clayton Act antitrust laws. The goal of these actions is to eliminate activity in the supply chain that prevents fair competition and keeps consumers from lower prices and higher quality goods.

## **COMMENT PERIOD FOR DEMURRAGE BILL EXTENDED**

The public comment period on the Advance Notice of Proposed Rulemaking (ANPRM) on Demurrage and Detention Bill Requirements has been extended by 30 days, now ending on April 16, 2022. The purpose of this comment period is for the FMC to evaluate if legislation governing demurrage and detention fees, specifically if marine terminal operators and non-vessel-operating common carriers should be subject to them in addition to vessel-operating common carrier, would be beneficial to U.S. trade.

Comments should be sent to [secretary@fmc.gov](mailto:secretary@fmc.gov), formatting details are found on the Federal Register website [here](#).

## U.S. FORMS FLOW INITIATIVE TO ENHANCE SUPPLY CHAIN



*Members of FLOW assemble for the first time on March 15<sup>th</sup> in the White House to discuss first steps*

The Biden Administration has launched a new initiative, the Freight Logistics Optimization Works (FLOW), to rebuild U.S. confidence in the supply chain and address long-term deficiencies keeping this industry from maximizing its efficiency. FLOW consists of 18 initial participants of private businesses, warehousing, logistics companies, and ports all chosen due to their unique perspective and expertise in the shipping industry. Their main purpose is to use their collaborative knowledge to, as stated in the White House Fact Sheet announcing their existence, “support businesses throughout the supply chain and improve accuracy of information from end-to-end for a more resilient supply chain”.

The chosen entities are currently working with the Administration to establish a plan of information sharing, led by the Department of Transportation (DOT), that will give stakeholders in the supply chain access to reliable, predictable, and accurate information about the movement of goods. This will ultimately bring less congestion, faster movement of goods, and decreased costs for American consumers. A large barrier to fluid information presently, is the fact that the U.S. supply chain is almost entirely made up of private businesses. Due to their private operations, information is rarely shared from one part of the supply chain to another, causing complications, slowdowns, and price increases. FLOW’s digital system of transparency aims to eliminate these delays in a way that works for both public and private companies.

When looking long-term, data sharing will make U.S. logistics more adaptable in the event of unexpected obstacles. If companies can access a network of information, they would be able to resolve issues faster, preventing a possible snowball effect. Visibility of the industry allows flexibility in the industry.

The DOT will be coordinating FLOW members throughout their time working on a proof-of-concept freight information exchange. The exchange is anticipated to be “a voluntary secure national exchange for freight information, it is available to participants who share data, and it is sustain by supply chain operational improvement”. FLOW will likely include proposed solutions to inconsistent early return dates across partners,



inaccurate chassis availability, and aggregate dwell time. The DOT plans for the proof-of-concept freight information exchange to be finished by the end of summer 2022.

Congratulations to Gemini Shippers Group, an executive member of FJATA, for being one of the five businesses chosen to be in FLOW and assisting in moving our industry to the next level.

## **CPSC SEEKS COMMENT ON MAGNETS AND CLOTHING STORAGE UNITS**

The U.S. Consumer Product Safety Commission (CPSC) held a comment period for a potential new safety standard for magnets. The rule would apply to goods made for various purposes (entertainment, accessory, mental stimulation, etc.) that contain one or more magnets which are loose or able to be separated. These products can become dangerous if one or more of the high-powered magnets is ingested, and the CPSC was looking for public comments on how to best go about creating and implementing a rule to prevent these injuries. The comment period closed March 28, 2022.



The CPSC has a current comment period open until April 19, 2022, which requests notes on the standards for clothing storage units (CSUs). The Commission is debating on implementing a rule that will reduce CSU tip overs by requiring stability testing and specifications, as well as safety labels providing information on the stability. To make a comment, access the page [here](#).

## **PROTOCOL FOR A CPSC VIST**

Members, in the unlikely event your company is visited by the CPSC, their website lists a few tips to keep in mind. The page gives answers to common confusions and questions of a CPSC inspection that would be beneficial for any owner of a manufacturing, importing, distributing, or sales company to know. This information is available [here](#).

## COUNTERFEIT GOODS PROGRESS THROUGH MEDIA BASED E-COMMERCE



*A few pieces of the counterfeit Super Bowl LVI merchandise that totaled \$97.8M*

The trade of counterfeit goods always been a prominent issue, especially in the fashion and accessories industry. Consumers being ripped off is not the main issue, as they are likely aware they are not getting an authentic product at a tenth of the cost. The main issues are the harm done to the sales and reputation of the branded knocked off, the risk of having unregulated products being sold, and the sales that go towards fueling criminal activity. The sale of these goods has gained traction with the presence of e-commerce and media marketplaces. In early February, a couple in Georgia was arrested when authorities confiscated over 9,000 counterfeited items, valued at more than \$15.8 million, that were going to be sold through their business on Facebook.

On September 28, 2021, Memphis CBP received two shipments that together contained 59 watches, 7 sunglasses, and 21 tote bags that were all counterfeit designer names. Both shipments were from Chihuahua, Mexico and headed towards the same Georgia residence. Homeland Security collected the items and proceeded to begin the investigation with Gwinnett County PD in Georgia. The goods were traced to a couple, a 31-year-old woman and a 33-year-old man, who were advertising the false goods on Facebook. The couple was charged with the Possession and Sale of Goods Bearing a Counterfeit Trademark.

Businesses, like this one, are able to be so successful in counterfeiting due to their e-commerce presence. Illicit goods are commonly sold through social media platforms that offer shopping or advertising, Facebook being a big one due to their Marketplace function. These platforms do not have a thorough vetting process regarding who can advertise leading to the promotion of illegal activity. In addition, counterfeit sellers can privately message directly with consumers on most of the applications. In 2021, Ghost Data, a social media analytics firm, researched this activity and found about 26,000 active counterfeit accounts on Facebook and 20,000 on Instagram. 65% of the accounts are based in China, 14% in Russia, and 7.5% in Turkey. Meta, the parent company of Facebook and Instagram, uses keywords to identify counterfeit accounts, then

disactivates them. Though this is a step in the right direction, this solution only solves symptoms since sellers can just create new accounts. Presence as an online marketplace presents huge economical gain for Meta and other media companies, but they must work to eliminate counterfeit sellers to avoid scrutiny and regulations that could limit this presence.

While knockoff designer clothing and accessories gain traction, counterfeited cosmetics, pharmacies, and batteries present more than just economic issues. These types of unregulated goods can lead to medical problems and, in the case of faulty batteries, fires. Because of this, the Oregon State Public Interest Research Group (OSPIRG) has posted many helpful tips on how to spot counterfeits online, including one major part of tricking the consumer: fake product reviews. Their [website's blog](#) section has great ideas and is updated often.

The following is a few recent counterfeit shipments seized by the CBP:

- On January 31, 2022, Chicago CBP seized \$713,000 worth of bracelets, rings, and necklaces claiming to be from the high-end brands of Cartier, Louis Vuitton, and Versace. The items were sent from Israel, but the arriving location was not specified.
- Leading up to the Super Bowl, Homeland Security busted almost \$100 million worth of fake sports merchandise. There were many different vendors selling championship rings, jerseys, clothing, and some even selling fabricated paper ticket, despite the arena explicitly only selling electronic copies. Pete Flores, Executive Assistant Commissioner at CBP, stated these goods were imported from many countries. The NFL advises fans to only buy merchandise that has the official league holograms and comes from reputable sources.
- In Louisville, Kentucky, the CBP intercepted a shipment of 230 counterfeit championship rings on March 3, 2022. The shipment, headed to a Florida residence, contained 10 NBA championship rings, 110 Super Bowl rings, and 110 World Series rings. The manufacturer's suggested retail price (MSRP) of the goods in total would have been \$345,000.
- Also in Louisville, Kentucky, CBP inspected and seized three packages of counterfeit jewelry during March 8-9. The first two arrived from Hong Kong, one headed to a residence in Ontario, Canada and the other to a company in Miami. The third was from the United Arab Emirates on its way to a Californian residence. Between these three shipments there was a total of 38 watches, 554 necklaces, and 480 bracelet and ring combos all of counterfeited designer goods. The total worth, had they been authentic, would have been \$4.4 million.

## FJATA SIGNED LETTERS TO LEGISLATORS

This month, FJATA signed onto five letters urging government leaders to act in the approval of legislation and partnerships that would not only minimize the current supply chain disruptions, but also implement operations to maximize industry efficiency going forward. Here is a list and details of the letters we supported this month:

1. [This letter](#), sent on February 25<sup>th</sup>, was addressed to Senators Amy Klobuchar and John Thune and shared support in their recently introduced Ocean Shipping Reform Act of 2022 (OSRA22). The letter encouraged the bill's efforts to clearly define the rules and parameters of detention fees faced by cargo owners, as well as its push to update the Shipping Act to be relevant to the industry today. 89 trade associations, including us, signed.
2. Sent on March 1<sup>st</sup>, [this letter](#) was addressed to President Biden and Vice President Harris and focused on contract negotiations between the Pacific Maritime Commission (PMA) and the International Longshore and Warehouse Union (ILWU). Slow negotiations elongate disputes and have often led to port slowdowns and shutdowns. This results in stationary cargo, the loss of millions of dollars, and frustrated consumers. The letter concludes with suggestive points that should be included in the contract, such as investment in modernizing infrastructure and skilled workers and increased data sharing to improve transparency. We signed alongside 48 other associations.
3. On March 3<sup>rd</sup>, [this letter](#) addressed to Nancy Pelosi, Chuck Schumer, Mitch McConnell, and Kevin McCarthy, was sent by Americans for Free Trade (AFT) and signed by FJATA and 174 others. This letter advocates for the Section 301 exclusion process that was presented in the Trade Act of 2021 in the U.S. Innovation and Competition Act, to be added to the American COMPETES Act. As the letter states "these taxes increase the cost of doing business in the United States and place a financial burden on U.S. businesses". They see this exclusion process as an effective way to provide needed relief to U.S. businesses still hurting from the pandemic. They USTR extended exclusion to a certain set of products, but the letter notes how this set only covers 1% of the products on the original exclusion and will do little to make a real impact.
4. [This letter](#) was sent on March 1<sup>th</sup> to Californian Representative Laura Friedman in support of Assembly Bill (AB) 2406. The letter mentions the uniquely large amount of activity California ports have and how recent uncontrollable congestion has led to ocean carriers "charging two to ten times the fees in Los Angeles and Long Beach versus other major ports worldwide". AB 2406 is a modernized version of SB 45 (Alarcon), that protects Californian businesses from facing these unfair trade fees. FJATA signed this letter with 78 others.
5. To be sent on March 29, 2022, this letter urges USTR Katherine Tai to conduct the Section 301 tariff review process with transparency and deep analysis. This process will determine if the Section 301 tariffs on Chinese product set by the Trump Administration will end with their expiration or be extended. The letter



notes that a single review of each of the four tariff lists is necessary for the USTR to grasp a “holistic assessment”. Transparency throughout this process is also mentioned as crucial, this including comment periods and input from stakeholders.

## MJSA NYC EXPO

FJATA was happy to welcome MJSA to NYC for their annual Expo. From March 20-22, the Javits Center was packed with members and innovators within the jewelry market. This event has always been a great opportunity for jewelers to see the latest technology and trends in their industry.

## DOWNLOADABLE E-BOOK ON CLOTHING LABELS

TÜD SÜD, a technical testing organization, recently authored an e-book on the details of clothing labels. The book goes over the legal requirements of labeling specific categories of products, and where they may differ from country to country. Download the handbook [here](#), or from their website [here](#).

## LEGISLATIVE STATUS

Click [here](#) to view a list of bills affecting our industry and any action that has occurred.



**Our Mission** - We continue our leadership role in legislative issues and advancing internationally recognized, sensible standards for the jewelry and accessories industries on behalf of our members.

*Thanks for reading.* Have any questions? Email us at [executive\\_director@fjata.org](mailto:executive_director@fjata.org).

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