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INFLATION AND IDEOLOGICAL WAR, JOE BIDEN'S DILEMMA

On January 21st, 2021, Joe Biden succeeded Donald Trump as President of the United States. Since then, and despite relative self-effacement, he has tried to counteract the erratic international policy of his predecessor, while fighting against rising inflation.

Among other initiatives, he has put an end to taxes on aluminium, which mainly affected his Canadian neighbour, reduced the sanctions imposed on Cuba and reintegrated the Paris climate agreements. But **torn between inflation and ideological conflict with Beijing, should the US put an end to the commercial war started by D. Trump and led against China?**

This reflection comes in a complex context of worrying **inflation - 8.3% in one year**, a first since 1981 - in the run-up to the mid-term elections. Despite the relative good health of the economy and the generous aid granted to Ukraine, a decision welcomed by the Americans, Joe Biden is now suffering from a low approval rating and could well lose Congress for good next autumn.

This raises the question of customs duties that mechanically increase the price of goods. As with aluminium or French wine, Washington could abolish the customs duties that currently affect two-thirds of Chinese imports, with the aim of reducing this inflation and gaining popularity.

But as the poorest households are suffocating, why is this suspension still being debated?

First, the suspension of tariffs would probably be gradual and partial, greatly limiting the impact of such a measure. Moreover, this inflation is global and mainly due to the explosion in raw material prices. The reduction of customs duties would therefore not in absolute terms hinder the rise in price.

However, the main reason for this hesitation is the conflict with China. With China making no secret of its ambitions to overtake the United States by 2050, repealing these tariffs would be seen as an admission of weakness. Of course, the trade war led by Donald Trump has not achieved its goal of changing the relationship between Beijing and Washington, but a war, even an unnecessary one, must be won. **The challenge for Joe Biden is therefore to prioritize either his domestic market or his international leadership, to improve his image ahead of the elections, or to confront China.**

Customs tariffs and policies are once again at the center of a political-economic dilemma.



CAN THE INDUSTRIALIZATION OF EASTERN EUROPE LEAD TO A REGIONALIZATION OF THE EUROPEAN ECONOMY?

With the return of war to Europe, shortages and with the explosion of raw material stocks, the concept of strategic autonomy is on everyone's lips. For several decades now, globalization has internationalized the production of companies and many of them are leaving their homeland every year at the expense of impressive logistical efforts, for the benefit of significant savings.



However, the risk factor, which is becoming increasingly crucial in the current geopolitical instability, **challenges the benefits of relocation.**

Meanwhile, deindustrialized states are less able to manage interdependencies that can overcome their dependencies, and they fear a public opinion that is worried about this observation.

If Eastern Europe could well be **the scene of a massive European relocation**, it is also because **subcontracting to Asia no longer offers the same advantages as before.**

In addition to the cultural and geographical remoteness, from which logistical difficulties arise, **there is a strong variation in the euro-dollar exchange rate and a rise in labor costs.** In China, for instance, manufacturing wages are now equivalent to those in Portugal.

On the contrary, although labor costs remain relatively high in Eastern Europe, the region enjoys a strong industrial culture sometimes inherited from the Soviet Union, European funds devoted to the modernization of infrastructures, increasingly well-trained technical staff, and allows the promotion of the **"Made in Europe"**, a quality guarantee in the collective psyche. Relocation to the subcontinent also has the huge advantage of drastically reducing the uncertainty linked to transport, reducing command circuits and, most importantly, ensuring an apparent European industrial independence, as demanded by the populations.

Although no country in the 21st century can free itself from foreign dependencies, it is now important for states to cover themselves in the midst of the frequent geopolitical upheavals that affect the world. China has understood this well, as shown by the "Made in China 2025" plan, launched in 2015, which advocates **technological and industrial self-sufficiency.**

Globalization is not in a phase of regression but of profound change, tending towards a regionalization of economies. Eastern Europe now seems to offer the EU the prospect of seeing its industry come back. It remains to be seen whether this relocation will be marginal or total.



BREXIT - MOVING FROM CHIEF TO CDS IN THE UNITED KINGDOM

The UK customs clearance system "CHIEF" will become "CDS" as of April 2023. For UK import transactions (from 1^{er} October and 1^{er} April for export transactions, the Customs Declaration Services (CDS) system will be required.

Quick reminder: currently, goods are identified for border control using 2 platforms. The Customs Handling of Import and Export Freight (CHIEF) system and the Customs Declaration Service. These 2 systems allow importers and exporters and intermediaries to complete customs declarations. No longer possible as of March 31, 2023 .

More info on : <https://www.gov.uk/government/publications/customs-declaration-service-communication-pack/customs-declaration-service-toolkit>

NEW MEASURES IN THE UKRAINE-RUSSIA CONFLICT

Under the EU-UKRAINE Association Agreement AND in order to mitigate the negative economic impact of the war on the Ukrainian authorities and population, the EU decides to stimulate trade flows by liberalizing trade under the EU-UKRAINE Association Agreement, provisionally applied since 2014 :

- Imports into the EU duty-free.
- Suspension of tariff quotas and anti-dumping duties on Ukrainian steel.
- This regulation applies until June 5, 2023.
- Certain measures apply to products which, on June 4, 2022, are either in transit from Ukraine to the EU or under customs control in the EU.

Regulation 2022/870 of the European Parliament and of the Council of 30 May 2022 on temporary trade liberalisation measures:

<https://eur-lex.europa.eu/legal-content/FR/TXT/PDF/?uri=CELEX:32022R0870&from=FR>

