



## COVID-19 and Supply Chain Disruption Planning Ahead for Logistics Challenges

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When facing a potential pandemic, the level of preparedness, particularly for those sectors with the potential to be hardest hit, is critical. For importers and exporters, taking the appropriate steps to prepare for a possible COVID-19 pandemic and adapting and adjusting based on the fluidity of a pandemic environment will be key.

In considering at what to expect from a COVID-19 pandemic, we can look to the impact of the virus as it has already spread quickly in China. There were already various factors that slowed trade activities in the country, such as increased tariffs from the U.S. and the Chinese New Year, and now COVID-19 is making its impact with disruption in manufacturing, changes in staffing and office closures, shifts in production and the slowing of Chinese manufacturing output. While many Chinese factories have now re-opened, there is still a significant impact on ocean and air transportation, considerable congestion at Chinese ports (which is to be expected for the largest cargo handler) and a decline in container volume.

In the U.S., we are also seeing container volumes down at our ports as the virus spreads even further in countries such as South Korea, Japan and Italy. South Korean exporters are certainly seeing the implications of the virus as they have partially shut down production lines. The U.S., China and other countries will continue to face logistics challenges as the virus continues to spread and monitoring this closely and staying on top of all regulations and guidelines coming from government agencies is of the utmost importance.

The Department of Homeland Security has suspended entry for certain immigrants and nonimmigrants based on CBP guidance and

the Presidential proclamation, and this should be monitored on an ongoing basis with adjustments made as necessary. Companies should look to the Department of Homeland Security for advice on incoming passengers from China and elsewhere. It will be important to coordinate with your Human Resources Department in terms of planning for new travel restrictions.

Guidance from the Commerce Department should also be closely monitored. In the past, the SARS virus itself was categorized as requiring a license to export under Export Control Classification Number (ECCN) 1C351.a.46. There is no export licensing classification for COVID-19 to date, and it is still listed as EAR99 according to the Commerce Department with no license required for export to most countries.

Given the potential for delays and supply chain disruptions, trade compliance should be incorporated into all supply chain decisions. This will have its own challenges as COVID-19 spreads, such as filing timely Customs entries, export license applications and other required shipping documents.

The Polsinelli International Trade Team is closely monitoring all developments related to COVID-19 and is available to answer questions related to planning and guidance in trade.

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