

<https://www.wsj.com/articles/firms-warn-of-shipment-delays-from-china-as-u-s-bans-xinjiang-imports-11655817961>

WORLDASIACHINA

# Firms Warn of China Shipment Delays as U.S. Bans Xinjiang Imports

Companies say it will be difficult and costly to comply with law that aims to prevent shipping of goods using forced labor



By [Liza Lin](#) [Follow](#) and [Yoko Kubota](#) [Follow](#)

Updated June 21, 2022 3:35 pm ET

BEIJING—American businesses in China say they fear a U.S. law blocking most imports from China’s Xinjiang region that went into effect Tuesday might interrupt shipments and raise compliance costs, as uncertainty clouds how it will be enforced.

The Uyghur Forced Labor Prevention Act presumes that all items produced in China’s western region of Xinjiang, or by entities linked to the government there, are made with forced labor and blocks companies from importing such products.

Before the law, the onus was on U.S. customs officials to provide evidence of the presence of forced labor when they impounded such shipments. The new law shifts the burden of proof to companies to show their imports are free from such activity, a change that will impact electronics, agricultural goods and other products.

“Proving a negative is next to impossible,” said Ker Gibbs, a former president of the American Chamber of Commerce in Shanghai who is now an executive-in-residence at the University of San Francisco.

Current and former U.S. business executives say the law is likely to result in short-term supply-chain disruptions as importers seek to adapt to the new requirements and see how rules are being enforced. In the longer term, some say, the law may accelerate a shift of some global supply chains out of China. That comes on top of companies already assessing the impact of operational disruptions from Covid-19-related lockdowns and growing political and regulatory pressures.

Auditing business activities in Xinjiang has also been challenging. Many Western auditing firms have stopped investigating forced labor claims in Xinjiang because of intense government surveillance and lack of access to factories.

Xinjiang has become a geopolitical flashpoint for multinational companies in recent years, with Western researchers saying China's government has detained hundreds of thousands of people, mostly Muslim minorities, in a network of internment camps there as part of an assimilation campaign. U.S. officials, along with some lawmakers from other Western countries and some human-rights activists, have said Beijing's treatment of Uyghurs, one of the country's Muslim minority groups, amounts to a form of genocide.



China has rejected those allegations, describing its policies in the region as aimed at preventing terrorism and protecting national security. A spokesman for China's Foreign Ministry said in a briefing last week that the U.S. forced labor act isn't based on facts and was being used to destabilize Xinjiang and contain China's development.

The U.S. Customs and Border Protection didn't immediately respond to a request for comment. In a Friday call with journalists, officials from the agency and the Department of Homeland Security laid out measures to prepare for the law's implementation.

"Our steps to implement the Uyghur Law on time and on a tight schedule is a sign of this administration's strong commitment to ruling out forced labor, which is a cancer," said Robert Silvers, Department of Homeland Security undersecretary for policy and chairman of the Forced Labor Enforcement Task Force, on the call, according to a transcript.

The forced-labor act, which was signed into law by President Biden in December, is the culmination of more than two years of efforts by U.S. lawmakers to step up pressure on American businesses sourcing from Xinjiang. It expands on an existing import ban on cotton and tomatoes and restrictions on buying polysilicon, an essential material used to make solar energy panels.

Since 2019, the U.S. has also introduced several other "withhold release orders," an enforcement tool by border authorities that allows them to detain shipments believed to be made with forced labor until proven otherwise, surrounding specific suppliers from Xinjiang. The region is one of the world's biggest producers of cotton and polysilicon.

Companies are watching carefully how the law is implemented by U.S. customs officials, the American Chamber of Commerce in Shanghai said. One issue they are grappling with is what documentation will be sufficient to demonstrate a shipment doesn't violate the new law and is eligible for entry into the U.S., the chamber said. This could result in logistics disruptions, it said, adding that companies will likely incur increased compliance costs as they document their supply chains.

Supply-chain auditors say most major companies have been preparing for the imposition of the law in recent months, with many conducting comprehensive due diligence in their supply chains or shifting sourcing away from the region. Still, business groups cite several layers of suppliers involved in a finished product and increasingly less transparency and documentation as companies investigate down their supply chains.

Other companies are conducting educational programs for their suppliers about responsible sourcing practices and U.S. law or requiring their suppliers to sign affidavits confirming where they have sourced materials from. Several have stopped hiring Uyghur workers in factories outside of Xinjiang.

The burden of the regulation will fall heavily on small- and medium-size businesses, business executives say, since smaller companies may not have the resources to understand and deal with the compliance requirements.

The new law could add to global supply-chain and inflationary pressures as companies attempt to shift away from China to second-best supply alternatives, said Mr. Gibbs, the former AmCham Shanghai president.

Geopolitical challenges have overshadowed the operating environment for foreign businesses in China in recent years.

Sam's Club, a membership store chain owned by Walmart Inc., stripped products sourced from Xinjiang and removed references to the region from its store brands last year, the Journal reported this month. Walmart didn't respond to requests for comment.

**Write to Liza Lin at [Liza.Lin@wsj.com](mailto:Liza.Lin@wsj.com) and Yoko Kubota at [yoko.kubota@wsj.com](mailto:yoko.kubota@wsj.com)**

*Appeared in the June 22, 2022, print edition as 'U.S. Import Ban Targets Xinjiang Region'.*