

Recent Trade Policy & Tariff Changes

Adapting to Evolving Trade Policies and Regulatory Tariffs

May 22, 2025

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Meet our Speakers



Host

Rita Wong

APAC Marketing Manager



Panelist

Mark Hartlage

US Import Compliance Brokerage Manager



Panelist

Joyce Shen

APAC Customs Brokerage Director



Panelist Luke Li

APAC Product and Customer Technology Director

Today's agenda

- **1** Overview of recent trade regulatory changes
- **2** Key implication for importers and exporters
- **3** Strategies to adapt to new regulations
- **4** FAQs





Key Tariff Changes

An overview of key tariff changes to help you stay informed and prepared.

Background *Tariff Changes & Trade Impact*

1 Section 301 of the Trade Act of 1974

Unfair trade practices against the US

2 Section 201 of the Trade Act of 1974

Imports causing serious injury to a domestic industry

3 Section 232 of the Trade Expansion Act of 1962

Reliance on foreign goods poses risk to national security

IEEPA (International Emergency Economic Powers Act)

Threat to the national security, foreign policy, or economy of the US

Section 321 of the Tariff Act of 1930

Allows for the duty-free entry of qualifying low-value shipments. This is commonly referred to as the "de minimis"

Tariff Changes and Timeline

Key dates to be aware of

There are several key dates to know as new tariffs continue to roll out:



Key Tariff Changes

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Postal shipments into the U.S.

Postal shipments (via international mail):

- May 2, 2025: 120% ad valorem OR \$100 per postal item
- May 14, 2025: Reduced to 54% ad valorem OR \$100 per <u>postal item</u>. The planned increase to \$200 per postal item was cancelled.

Country of origin matters

• Customs rules based on the country of origin still apply for all goods.

Canada and Mexico are impacted

 Goods compliant with the U.S.-Mexico-Canada agreement (USMCA) remain duty-free. Noncompliant goods face a 25% tariff.

Tariffs are stacked on top of each other

New tariffs add to existing ones. For goods from China, Hong Kong SAR, and Macau SAR, the total tariff may include the following:

- Section 301 (25%)
- IEEPA 1 (20%)
- IEEPA 2 Reciprocal (10%)

5 Some goods are exempt from the reciprocal tariff

 Reciprocal tariffs do not apply to Section 232 goods such as steel/aluminum and their derivatives, autos/autoparts, critical minerals, lumber, agricultural goods. Some ICT goods are also currently exempt. Section 232 investigations have been launched for Semiconductors/ICT and Pharmaceuticals and tariffs are imminent.

It's possible tariff rates change will change

• The U.S. is negotiating with several parties to reduce their proposed April 2 reciprocal tariffs. The 90 day suspension of the proposed April 2 reciprocal tariffs ends on July 9.

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What This Means for You and How to Stay Compliant

With over 100 years of experience in customs brokerage, we help businesses navigate changing regulations and stay compliant with confidence.

Assessing the Impact of New Tariffs

Assess the impact

Which of your products are impacted, new landed costs considerations, and how those costs will impact your bottom line.

- Know your products
- Validate your information
- Talk to your suppliers
- Update your invoices
- Consider automation when applicable.

De Minimis Changes May 2

Even though the rules of origin have not changed, tariff differentials across markets make rule of origin compliance even more important.

Rules of origin are applicable regardless of where shipments are routed from.

Although the de minimis changes apply only to goods of China or Hong Kong origin such China or Hong Kong originating goods even if shipped from elsewhere are also not able to enjoy de minimis treatment.

Why Country of Origin (COO) Matters More Than Ever

The importance of COO determination under the new U.S. reciprocal tariff

Tariff rates depend on COO



- The correct determination of origin directly affects how much duty is paid
- Example: If a product is determined to originate from China, it could face up to 30% in tariffs, while the same product from Vietnam might only face 10%

Origin rules are complex



- Origin isn't just about where a product ships from — it's about where it is sourced from or where it has undergone **substantial transformed**
- For manufactured goods, this might involve a change in HTS Classification or if they meet regional value content thresholds

Documentation must be rock-solid



- Importers must be able to prove the origin of goods
- Maintain documentation for five years supporting substantial transformation (e.g. BOMs, manufacturing records, certificates of origin)
- Justify COO in the event of an audit

Example: Substantial transformation in Vietnam — Country of Origin becomes Vietnam

Product: Customizable industrial control panels

China origin inputs:

- Generic sensors
- Basic microcontrollers
- Wiring, casings, PCBs

Vietnam processing:

- Vietnam engineers design and program bespoke software for industrial automation
- Vietnam factory integrates sensors and circuits into a **specialized panel** for monitoring chemical plant operations
- Final product is calibrated and tested for regulatory compliance in the Vietnam

CBP Determination:

- YES: substantial transformation
- Raw components have been engineered into a new and functionally different article
- There's a change in character and use from generic parts to a customized industrial control system
- Origin is Vietnam



Implication to Exporters and Importers

With over 100 years of experience in customs brokerage, we help businesses navigate changing regulations and stay compliant with confidence.

All these tariffs coming together look complex. Is there a simpler way to summarize them?

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Tariff Changes & Trade Impact for Products of Countries / Territories in Asia Pacific

(excluding China and Hong Kong SAR)

| Products Catego | ories | Information is valid as of May 22, 2025 | | | | | | | | | | |
|--|-------------------------|---|---------------------------------|---|--|---|--|--|--|--|--|--|
| (Shipment value above U | JSD800) | General | IEEPA Reciprocal Baseline | Section 232 Steel, Aluminum, Automobile, Auto Parts | Section 201 Solar Cells and Modules | Total Rate | | | | | | |
| Tariffs | Example | MFN | 10% | 25% | Mainly at 14% | Information is valid as of May 22, 2025 | | | | | | |
| Products not Subject to Section 232 and 201 | Plastic Photo Frame | \checkmark | \checkmark | | | MFN + 10% | | | | | | |
| Products Subject to Section 232 | Aluminum Kitchenware | \checkmark | | \checkmark | | MFN + 25% | | | | | | |
| Products Subject to Section 201 | Solar Cells | \checkmark | \checkmark | | \checkmark | MFN + 10% + 14% | | | | | | |

For certain products, additional duties may apply, such as Anti-Dumping (AD) and Countervailing Duties (CVD). The rates vary depending on the specific product and the outcome of the investigation.

| | Reciprocal 10% | Section 232 Steel, Aluminum, Automobile, Auto Parts 25% |
|--------------------|---|---|
| Exemption criteria | Goods qualified under the USMCA Informational materials Humanitarian donations Most products described under Chapter 98 Products listed in Annex II (Specified products) U.Sorigin goods (with value > 20%) – the U.S. content portion is exempt from reciprocal tariffs Goods already subjected to Section 232 tariff | Steel, Aluminum, and Their Derivatives 1. Derivatives: Declare the value and weight of the steel/aluminum content. Section 232 tariffs apply only to the steel/aluminum content. 2. Steel and aluminum (and their derivatives) smelted and cast in the U.S. are exempt from tariffs, but proof is required. Automobiles and Auto Parts 1. Items not intended for automotive use may be exempt. 2. Vehicle parts originating under the USMCA are eligible for preferential treatment. 3. For complete vehicles, the U.Sorigin content may be exempt from Section 232 tariffs upon approval by the Secretary of Commerce. |

Exemption criteria may vary. For the most accurate and up-to-date information, please refer to official documents published by U.S. Customs and Border Protection (CBP).

Tariff Changes & Trade Impact for Products of China and Hong Kong SAR

| | | Information is valid as of May 22, 2025 | | | | | | | | | | | | |
|--|-------------------------|---|------------------------|--------------|--|---|---------------|---|--|--|--|--|--|--|
| Products Cate (Shipment value above | General | IEEPA 1 | IEEPA 2 Reciprocal* | Section 301 | Section 232 Steel, Aluminum, Automobile, Auto Parts | Section 201 Solar Cells and Modules | Total Rate | | | | | | | |
| Tariffs | Example | MFN | 20% | 10% | Tariff Rate Ranges: 7.5% - 100% | 25% | Mainly at 14% | Information is valid as of May 22, 2025 | | | | | | |
| Products not subject to Section 301, 232 and 201 | Plastic Photo Frame | \checkmark | \checkmark | \checkmark | | | | MFN + 30% | | | | | | |
| Products Subject to Section 301 | Paper Books | \checkmark | \checkmark | \checkmark | \checkmark | | | MFN +30% + 7.5~100% | | | | | | |
| Products Subject to Section 232 | Aluminum Kitchenware | \checkmark | \checkmark | | | \checkmark | | MFN + 45% | | | | | | |
| Products Subject to <u>both</u> Section 301 and 232 | | \checkmark | \checkmark | | \checkmark | \checkmark | | MFN + 45% + 7.5~100% | | | | | | |
| Products Subject to <u>both</u> Section 301 and 201 | | \checkmark | \checkmark | \checkmark | \checkmark | | \checkmark | MFN+ 30% + 7.5~100% + 14% | | | | | | |

• De minimis is removed since May 2, 2025 and the tariffs and rates listed above will apply.

• For certain products, additional duties may apply, such as Anti-Dumping (AD) and Countervailing Duties (CVD). The rates vary depending on the specific product and the outcome of the investigation.

• Exemption criteria may vary. For the most accurate and up-to-date information, please refer to official documents published by U.S. Customs and Border Protection (CBP)

* IEEPA 2 Reciprocal also impacts products of Macau SAR

How do I declare my shipment to CBP accurately and compliantly?

Types of Entry based on Shipment Value

| Entry Type |
|--|
| Applicable for <u>De Minimis Entry</u>, duty free Products of China and Hong Kong SAR no longer eligible for de minimis, effective from May 2, 2025 |
| Applicable for Informal Entry |
| Must be filed as <u>Formal Entry</u> |
| |



Currency in USD

Customs Requirements by Entry Types

| Entry Type | De Minimis | Informal Entry | | Formal Entry | | | | | | |
|--|------------|--|--|----------------------------------|--------------------------|--|--|--|--|--|
| IOR | UPS | UPS | UPS* | Receiver | Shipper | | | | | |
| Tax ID | _ | _ | | ral Identification ax ID/SSN) | Shipper's NRI# | | | | | |
| POA/Bond | - | _ | - | Required from Receiver | Required from Shipper | | | | | |
| Manufacturer Identification (MID) Code | _ | _ MID Code is required for textile and certain regulated shipment | | | | | | | | |
| COO / Description / Valuation | | of Origin / Detailed description , ncoterm and breakdown of diffe | | | | | | | | |
| HTSUS 10-digit | - | Required | | | | | | | | |
| Tariff | - | | on 301 Tariffs, Section 232 Tariffs, Section 201 other applicable tariffs | | | | | | | |
| MPF | - | - | 0.3464% x Va | llue (Min. \$32.71; | Max. \$634.62) | | | | | |

*UPS can be IOR under specific conditions.

How to better manage your internal accounting with the tariff increases?

Setting up ACH (Automated Clearinghouse) payments with U.S. Customs may help with your internal accounting

With the increase in IEEPA and Section 232 tariffs, duty outlay will increase substantially.

- When you import goods into the US, you have two choices of how to pay the duties and fees on the imports.
 - \checkmark Option 1 Have your customs broker advance the payment on your behalf.
 - ✓ Option 2 Set up direct payment with US CBP and have the duties and fees deducted from your bank account.
- When Customs Broker advance the duties and fees on your behalf, you will be charged with a disbursement fee.
 Some brokers may not be willing or able to provide the service.
- CBP offers ACH payment option to allow importers to electronically pay duties and fees direct to CBP.

Benefits for the Customer

- \checkmark Save disbursement fee charged by broker.
- Enjoy a longer payment cycle by participating in CBP's PMS Periodic Monthly Statements, allows for payments to be made by the 15th business day of the following month.



Getting started with ACH payments is easy

Fill out the one-page ACH debit application form (<u>http://bit.ly/CBP-ACH-Form</u>) and submit it to ACH-Customs@cbp.dhs.gov. CBP will process the form within 7-10 days. Once you receive notification that you are set up, simply alert UPS that you will now utilize ACH payments and UPS will no longer advance duties on your behalf.



Strategies to adapt to new regulations

We have the tools, technology, network and know-how to help businesses like yours turn challenges into opportunities. Customer Insights on Tariff Challenges in major APAC markets (excl CN, HK)

Customer Pulse



71%

mentioned that tariffs will increase their overall cost of doing business



55%

looking to shift into new markets to seek new buyers and reduce costs



All

customers seek support in ways to *reduce cost*, *simplify customs clearance* and obtain tools to *assess duties and taxes*

Managing your costs efficiently when shipping goods to the U.S.

UPS World Ease[®] to streamline supply chain, expedite clearance and save cost



¹ Shipments to a single destination country or within the European Union

Reduce Costs with UPS World Ease:

MPF and other common brokerage fees and accessorial surcharges Savings for U.S. Imports as an Example

Applicable Daily Merchandise Processing Fee (MPF) = Value of each shipment x MPF per shipment x Total no. of shipments

Sample Shipper Profile

- Ships 20 shipments daily to the U.S.
- Each shipment is valued at \$2,501
- Duties at **10%** as example
- Applicable Merchandise Processing Fee (MPF) per shipment = 0.3464% (Minimum \$32.71; Maximum \$634.62)
- Disbursement fee at 2% of Duty/Tax (Minimum \$14)
- With Free Dom bill term, Duty/Tax forwarding surcharge = \$20.74 per shipment



If you ship **TRADITIONALLY** with **20 shipments**...

Applicable Daily MPF min per shipment = $$32.71 \times 20$ shipments = \$654.2Disbursement fee = $$14 \times 20$ shipments = \$280Duty/Tax forwarding surcharge = $$20.74 \times 20$ shipments = \$414.8

\$1,349.00

If you ship via **World Ease** with just **<u>1</u> consolidated shipment</u>...**

Applicable Daily MPF per shipment = $$50,020 \times 0.3464\% = 173.3 Disbursement fee = $$50,020 \times 10\% \times 2\% = 100.04 Duty/Tax forwarding surcharge = \$20.74

^{Now} \$294.05

This means that you will save around \$1,055 per day which is equivalent to approximately \$269k per year*

*Based on an estimate of 255 business days a year with shipments to the U.S. Actual savings may vary. Currency in USD

Your consumers want to know the total fees upfront for their products, before purchasing.

Transparency of the total purchase cost

A simple and clear way to pay for all duties, taxes, and fees required for international purchases



The amount of duties, taxes and fees known upfront at the time of check out.

The receiver pays the total cost at checkout, assured that there will be **no extra cost** later.

UPS Global Checkout[®]



Key components:

- No need to register use our Tax IDs
- Tax remittance is done for you
- Duties, taxes, and fees calculated and collected upfront and GUARANTEED!
- No variance to reconcile or pay no financial risk
- Internal compliance handled
- Speed through customs
- Delivery without surprised costs

Navigating the complexities of the U.S. tariff system and managing the increased documentation and compliance requirements.

Let us assist you in completing customs documentation

AI powered guidance through UPS Export Assure streamlines compliance requirements and helps avoid key drivers for delays







Commodity description

It will check your goods description and, if needed, ask questions to improve it to avoid customs delay

Import/Export Compliance

It will notify you if a commodity in your shipment is prohibited by the destination country, or if additional documentation is required to clear customs

Forms assist

It will inform you if a Power of Attorney is needed from the exporter or importer

Your consumers are uncertain of how they can settle the payment of duties and taxes.

Pre-pay duties, taxes and fees online ahead of delivery

Recipients receive a notification of duties and taxes due, along with a payment link to pre-pay



Receive UPS-branded notification via email and/or SMS with clear information on duty & tax amount due along with a payment link to pre-pay



Pay securely with a digital payment method of your choice



Seamless delivery with no extra effort



Your shipments face holds and delays due to insufficient documentation.

Customer information exchange through our secured portal

When your parcel requires additional information to clear customs:









Receive UPS-branded notification via email and/or SMS with clear instructions to resolve customs holds **Connect securely** with a one-time passcode to protect your information

Follow instructions and upload missing information

Receive confirmation that your submission has been receive

UPS® Trade Advisory Services

Elevating trade compliance to empower your supply chain



Getting a shipment across an international border can be complicated.

We take the complicated tasks off your hands and let you focus on the strategy for your business.

With UPS[®] Trade Advisory Services, you get:

- ✓ Seasoned trade professionals with extensive international trade experience
- ✓ In-depth knowledge of global trade regulations
- ✓ Strong relationships with local participating government agencies
- ✓ Industry specific expertise
- ✓ A dedicated team trained to seek out efficiencies and cost minimization opportunities in your supply chain

Trade Compliance

- Classification
- Restricted Party Screening
- Fish and Wildlife eDEC Filing
- China Licensing Determination, CCC & EEC

Duty Optimization

- Duty Drawback
- FTA Support
- FTZ Administration

Consulting

- FTZ Consulting
- PGA Requirements
- Section 301 Exclusion Review

Broker Management

- Pre-Entry Review
- Post Entry Audit
- Post Entry Compliance
- Trade Records Management

Optimize your Supply Chain with UPS

Stay ahead of evolving customs trade regulations and ship confidently with UPS

We have the tools, technology, network and know-how to help businesses like yours turn challenges into opportunities



Customs Brokerage Services

Enabling seamless clearance, compliance, and minimal delays, backed by 100 years of experience



UPS® Trade Advisory Services

Navigate shifting tariffs, optimize duty spend, classify shipments accurately, and promote your ongoing compliance to help your bottom line

Customs[®] Brokerage Advanced Consolidation

Maximize your Merchandise Processing Fee savings with our proprietary entry consolidation technology

UPS Trade Direct®

Streamline and reduce customs clearance time; consolidate individual shipments to the same destination country into one via Air Freight or Ocean Freight

Air and Ocean Forwarding

Consolidate Freight Shipping Solutions to reduce transportation costs and clear goods in a single shipment

UPS[®] Global Checkout

Seamless international shipping with guaranteed landed costs, preventing surprise fees and boosting e-commerce repeat customers

World Ease®

Reduce transportation and administrative fees such as Merchandise Processing Free, Duty/Tax Forwarding Surcharges, Disbursement Fee, Clearance Fee, and other government charges

Warehousing & Distribution

UPS® Zone Solutions provides foreign trade zone support to help you defer, reduce, or eliminate duties—cutting costs and speeding up distribution
Key Takeaways

Stay ahead of evolving customs trade regulations and ship confidently with UPS



Assess your exposure to tariff changes

- Review your product classifications and applicable tariffs
- Identify key suppliers and regions affected by new policies



Evaluate alternative sourcing and manufacturing options

- Consider diversifying suppliers to reduce risk
- Explore trade lane diversification to tariff-friendly locations
- Consider bringing manufacturing back to the US



Optimize your shipping and logistics strategy

Assess cost impacts and explore alternative shipping routes



Stay informed and proactive

- Monitor trade policy updates and industry news
- Engage with UPS experts for guidance





FAQs

Your top questions, answered.

Q: When the \$800 duty-free de minimis was eliminated for products of China and Hong Kong, is it still valid for products of other countries, like Vietnam and Malaysia?

Q: When the \$800 duty-free de minimis was eliminated for products of China and Hong Kong, is it still valid for products of other countries, like Vietnam and Malaysia?

A: Yes, de minimis is still valid for products of other countries, like Vietnam, Malaysia. When COO of a product is non-China/Hong Kong SAR, de minimis still applies. If a shipment contains products of China and Vietnam, the shipment will not be eligible for de minimis.

Q: Do you have a tool we can use to do these duties calculations for us to review? Or will there be DDP option so the customer receives a package with no fees/duty owed at delivery?

Q: Do you have a tool we can use to do these duties calculations for us to review? Or will there be DDP option so the customer receives a package with no fees/duty owed at delivery?

A: Yes, there are several tools at UPS to help and UPS Global Checkout can offer you a Guaranteed Landed Cost.

For DDP option, you may also consider to bill your shipment as Free Domicile.

Additionally, we also suggest you to consider Automated Clearinghouse (ACH) to allow US CBP debit your account for any duties and taxes due on importations to the US.

Q: I run a camera reselling business in Australia. If we resell a used camera that's clearly marked 'Made in Japan,' would that trigger Japan specific tariffs even though we're shipping it from Australia?

Q: I run a camera reselling business in Australia. If we resell a used camera that's clearly marked 'Made in Japan,' would that trigger Japan specific tariffs even though we're shipping it from Australia?

A: The tariff is based on the country of origin and NOT the country of export. The country of origin marking of "Made in Japan" would trigger duties paid at the Japan tariff rate. **Q:** How does Customs determine the Country of Origin (COO) of the products?

Q: How does Customs determine the Country of Origin (COO) of the products?

A: U.S. Rules of Origin will be used to ensure that the correct import tariffs are applied. We advise our customers to assure that they can provide substantiation of the country of origin as U.S. Customs can request proof of a Certificate of Origin (COO) at any time.

On the other hand, products of Taiwan shipped to the United States must include a "Declaration of Origin for Goods Exported to the United States" when declaring a General Export Declaration to Taiwan Customs upon export. **Q:** How should we understand the latest US Executive Order mentioning " De Minimis Tariff Decrease for products of China and Hong Kong" and how it may impact shipments via Express clearance? Has de minimis resumed with a lower threshold? **Q:** How should we understand the latest US Executive Order mentioning "De Minimis Tariff Decrease for products of China and Hong Kong" and how it may impact shipments via Express clearance? Has de minimis resumed with a lower threshold?

A: Goods made in China and Hong Kong still do not qualify for duty-free entry, regardless how they are routed into the U.S. Shipments of covered products valued at or under \$800 arriving through international mail from China and Hong Kong will be subject to an ad valorem duty rate of 54% or a flat specific duty rate of \$100 per package. (CSMS # 65029543)

The planned June 2 increase to a \$200 flat fee per postal item is cancelled.



Extra Resources

Additional tools and insights to support your success.

Extra resources

Stay informed with the latest updates on U.S. tariff changes and access key resources to stay ahead of your competition.

- UPS Tariffs and Their Impact on Global Trade
- <u>UPS U.S. Trade and Regulatory Update</u>
- UPS Global Checkout
- UPS Tools & Capabilities
- <u>Cross-Border Shipping Rules and Regulations</u>
- Nearshoring Guide
- UPS International Shipping Services
- Forms Needed for International Shipping
- Office of the United States Trade Representative
- <u>U.S. Customs and Border Protection</u>
- U.S. CBP ACH Debit Application
- Federal Register (Official Government Notices on Tariffs)



Thank You

For more information or assistance, please don't hesitate to reach out to UPS Account Executive or scan this QR code to post your question.



