eShipping®

Weekly Update | 3.4.2025

UNDERSTANDING TARIFF CHANGES

Navigating recent executive orders, proclamations, and memorandums and understanding how they may affect your business.

International Emergency Economic Powers Act (IEEPA)

COUNTRY OF ORIGIN: CHINA AND HONG KONG

- In effect as of February 1, 2025
- Second phase of IEEPA effective March 4th, 2025.
- 20% duty increase on all China and Hong Kong origin goods
- This is in addition to the ad valorem duty, section 301 duties, and section 232 duties (if applicable)
- Shipments loaded on the original vessel, rail or truck on or before January 31, 2025 and the having an entry cleared with Customs and Border Protection with duties processed by CBP before March 7, 2025 will not be subject to the additional IEEPA duty. This means shipments must be cleared and duties paid to CBP by March 6, 2025.
- On February 27, 2025, President Trump announced an additional 10% applied to China and Hong Kong origin goods effective March 4th, 2025. This increased IEEPA duties from 10% to 20%.
- Exemptions are:
    - Goods for personal use
    - Goods exported form the US to China and returned to the US
    - Donations
    - Informational materials

International Emergency Economic Powers Act (IEEPA)

COUNTRY OF ORIGIN: CANADA AND MEXICO

- Effective March 4, 2025
- 25% duty increase on Canada and Mexico origin goods
- 10% duty increase on Canadian energy products (crude oil, natural gas, lease condensates, natural gas liquids, refined petroleum products, uranium, coal, biofuels, geothermal heat, kinetic movement of flowing water, and critical minerals)
- This is in addition to the ad valorem duty and section 232 duties (if applicable)
- Originally these changes were scheduled for February 1, 2025, but were delayed while Canada and Mexico attempted to make changes on the borders to prevent fentanyl from illegally crossing
- Exemptions are:
    - Goods that are for personal use.
    - Goods entered under Chapter 98 HTSUS including:
        - 9802.00.40 or 9802.00.50 (repairs/alterations) tariffs apply on value added in Mexico/Canada
        - 9802.00.60 (metal articles processed abroad) tariffs apply on value added in Mexico/Canada
        - 9802.00.80 (assembly of US components) tariffs apply on value added in China and Hong Kong
        - 9801 goods exported from the US and returned from Mexico/Canada not subject (even if Mexico/Canada origin)
        - Other Chapter 98 goods are excluded
    - Donations of food, clothing and medicine intended to relieve human suffering (claim HTSUS 9903.01.21 for the exemption)
    - Merely informational materials (claim HTSUS 9903.01.22 for the exemption)

Section 232 Aluminum and Steel Tariff Expansion

ALL COUNTRIES OF ORIGIN

- Original Section 232 tariffs have been in effect since 2018 with exclusions granted
- Section 232 expansion will be effective March 12, 2025 for original section 232 tariffs and new list derivative items classified in HTS Chapter 73
- Section 232 expansion for the new aluminum and steel derivative list but not classified in HTS Chapter 73 will be determined by the Secretary of Commerce when a system is in place to collect the duties on those product. The additional duty shall only apply to the declared value of the aluminum or steel content or the derivative article. The quantity of the steel content shall be reported in KG.
- The expansion removes all exclusions for Argentina, Australia, Brazil, Canada, Mexico, South Korea, European Union Countries, Japan, United Kingdom, and Ukraine
- All importer-specific exclusions will be in effect until they expire
- Duty rates for aluminum and its derivatives will increase from 10% to 25%
- Duty rate for steel and its derivatives will remain at 25%
- The list of the additional derivative tariffs were published in the Federal Register on February 18, 2025
  - A link to all tariffs affected by the 232 expansion can be found here Steel-Aluminum-HTS-Codes.xlsx
- Items on the new steel and aluminum derivative list that are made of US origin steel and aluminum will be exempt with certificates of melt and pour
- If the products are from Russia, or any amount of primary aluminum use to make the article is smelted in Russia or cast in Russia, it is subject to 200% tariffs. In addition, the same exemptions under HTS Chapter 98 do not apply the same way as to other origin goods.
- Customs and Border Protection has been instructed to prioritize review of these imports and if misclassification is found, maximum monetary penalties will apply. The instruction on steel imports also states mitigation will not be allowed (this contradicts existing CBP regulations).

INTERNATIONAL UPDATES

Reciprocal Tariffs

ALL COUNTRIES OF ORIGIN

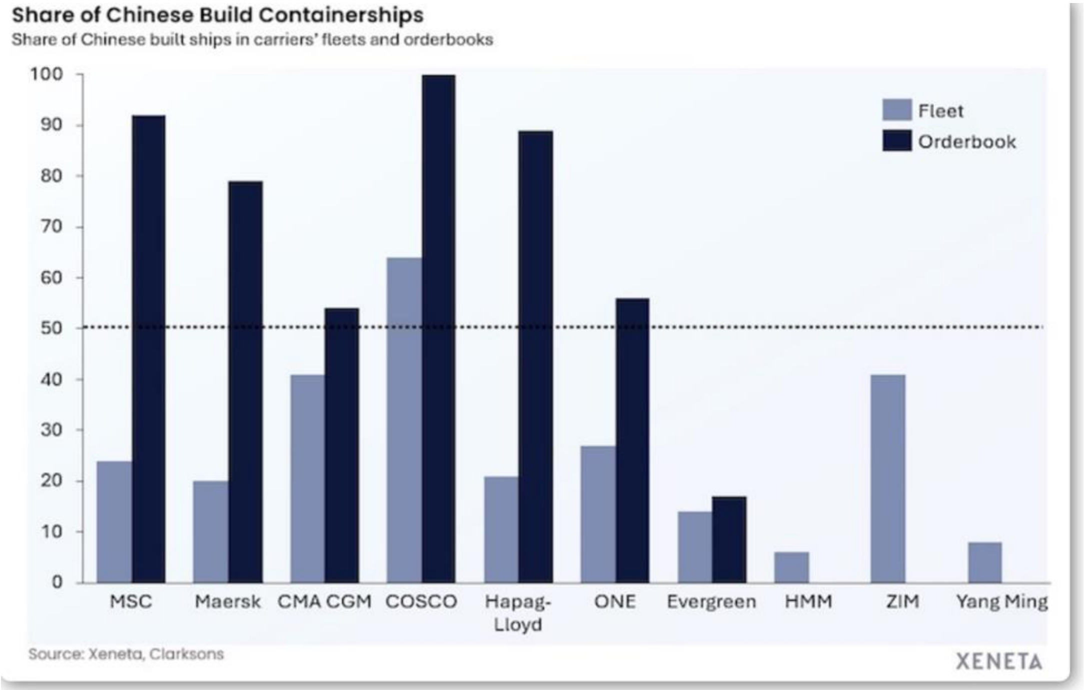
- Announced to be effective on April 4, 2025
- President Trump announced the Department of Commerce is conducting a comprehensive investigation on countries with existing tariffs on US goods to establish “the equivalent of a reciprocal tariff with respect to each foreign trading partner”
- The investigation will examine:
  - Tariffs imposed on US products
  - Unfair, discriminatory, or extraterritorial taxes imposed by trading partners on US businesses, workers, and consumers, including a value-added tax
  - Costs to US businesses, workers, and consumers arising from non-tariff barriers or measures; unfair or harmful acts, policies, or practices, including subsidies; and burdensome regulatory requirements on U.S. businesses operating in other countries.
  - Policies and practices that cause exchange rates to deviate from their market value to the detriment of Americans
  - Wage suppression
  - Other mercantilist policies that make US businesses and workers less competitive
  - Any other practice deemed to impose any unfair limitation on market access or any structural impediment to fair competition with the market economy of the US
- No information has been released advising what tariffs and countries will be involved, but an effective date has been stated by President Trump. When Federal Register notices and CSMS messages are published we will have a better idea of scope and implementation.

Port Fees

- The USTR has announced potential fees of up to $1.5 million per port call for Chinese-built vessels, $1 million per port call for operators of Chinese-built ships, and mandatory U.S.-flag shipping requirements
  - Port call fees would translate to about $100 to $300 per 40' container for a 10k TEU vessel
- The proposal also mandates increasing % of U.S. exports to be carried on American-flag vessels. Starting at 1% of cargo immediately upon implementation, the requirements would rise to 15% within 7 years, with specific allocations for U.S.-built vessels.
- Chinese-built ships account for 225 of the 1,045 ships currently deployed in the US compared with just 10 ships that were built in the US (Linerlytica)
- The proposed trade action would hit Cosco especially hard, while Taiwanese (YML, EMC) and Korean(HMM, SML) carriers would benefit from the move, as only a small proportion of their fleet are Chinese built (Linerlytica)
- COSCO & OOCL would be most affected by the levies who account 17% of US container imports from the Far East (Linerlytica)

Port Fees, Continued

- Outside of COSCO & OOCL, no other top 10 carrier has more than 50% of its fleet coming from China, giving them more options to reallocate ships between trades and adjust schedules to minimize port calls for China-built ships (Xeneta)
- On the orderbook side, the European carriers (MSC, Maersk, CMA CGM and Hapag-Lloyd) will also be hit, with all having more than half of current orderbook in Chinese yards (Xeneta)
  - Except for ONE, other Asian carriers will not be impacted by the orderbook fee



Importer Preparation Items

The items in this publication are advisory and for information purposes only. Legal counsel should be consulted to establish scope and available actions for your business.

- Items that could help an Importer of Record prepare for these changes are below:
  - Establish which of your goods are affected and ensure compliance
  - Have open conversations with your suppliers (Ask how they are planning on proceeding as shippers)
  - Consider alternative vendors outside of countries currently affected
  - Encourage suppliers to use US origin steel and aluminum in derivative items
  - Ask current suppliers to provide their country's duty rates and taxes that apply to the commodities you are importing (This will allow you to know how reciprocal tariffs could possibly affect your shipments)
  - If you are not the direct buyer of the goods that you are importing research using "First Sale" rates on your commercial invoices. This can relieve duties paid by lowering the declared value. CBP has strict requirements for this process.
- Prior to signing fixed-rate contracts, evaluate the carrier's current fleet and future fleet of Chinese built vessels to determine possible financial impact.

Next Steps & Contacts

Executive orders, proclamations, and memorandums continue to be issued and/or changed at a frenetic pace. We understand how challenging it is to break down and interpret the information.   We are hopeful this update will provide valuable insights in a meaningful way.

eShipping will continue sending weekly updates. We will do our best to work together to navigate this ever-changing and challenging situation.

Please contact your eShipping account manager if you have additional questions. Our account managers will work with our compliance and customer brokerage teams accordingly.