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Weekly Update | 4.3.2025

UNDERSTANDING TARIFF CHANGES

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

**All information provided herein is informational and advisory only. We strongly encourage importers to consult legal counsel for definitive and binding information.*

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

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International Emergency Economic Powers Act (IEEPA)

COUNTRY OF ORIGIN: CANADA AND MEXICO

- Effective March 4th, 2025, for Canada and Mexico Entries Not Included in USMCA Free Trade Program
- 25% duty increase on Canada and Mexico origin goods
- 10% duty increase on Canadian energy products
- 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 to March 4th. 2025.
- Exemptions are:
  - Goods that are entered free of duty as originating under USMCA are exempt from the IEEPA tariffs as of March 7th, 2025. It has been announced the exemption is planned to end on April 2nd, 2025.
  - 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 **all** new derivative items.
- 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
    - For derivative items included in the section 232 appendices, the 25% increase will only apply to the aluminum and steel content. This requires multiple lines to be submitted to CBP to report steel and aluminum content. CBP has instructed if steel and aluminum content is unknown at time of entry that section 232 duties will apply to the entire value of the derivative items. Importers should be reporting material and value breakdown for derivative items on the commercial documents provided to their customs brokers to facilitate compliant and accurate entries.
- 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).

Section 232 Automobiles and Automobile Parts

ALL COUNTRIES OF ORIGIN

- Effective April 3rd, 2025 for automobiles.
- Effective May 3rd, 2025 for automobile parts.
- Effective before May 3rd, 2025 for automobile parts. An Executive Proclamation was published in the Federal Register on April 3rd, 2025 here. Federal Register :: Adjusting Imports of Automobiles and Automobile Parts Into the United States
- The proclamation advises that an additional 25% duty will be assessed on automobiles and automobile parts from all countries except the US.
- "For automobiles that qualify for preferential tariff treatment under the USMCA, importers of such automobiles may submit documentation to the Secretary identifying the amount of U.S. content in each model imported into the United States. "U.S. content" refers to the value of the automobile attributable to parts wholly obtained, produced entirely, or substantially transformed in the United States. Thereafter, the Secretary may approve imports of such automobiles to be eligible to apply the ad valorem tariff of 25 percent in clause (1) of this proclamation exclusively to the value of the non-U.S. content of the automobile. The non-U.S. content of the automobile shall be calculated by subtracting the value of the U.S. content in an automobile from the total value of the automobile." If the US content is found to be inaccurate due to overstatement the 25% will apply to the full value of the automobile and full value of any additional automobiles of the same model imported after April 3rd, 2025. This is in addition to any assessed fees or penalties.
- The scope of tariffs involved are included in ANNEX I located here. Federal Register :: Adjusting Imports of Automobiles and Automobile Parts Into the United States
- This proclamation does not apply to commercial vehicles or their parts.

Reciprocal Tariffs Enacted Under IEEPA

ALL COUNTRIES OF ORIGIN

- Announced to be effective on April 5, 2025. Countries included in Annex I are effective April 9th, 2025.
- President Trump issued an Executive Order declaring a national emergency due to trade deficits with foreign trading partners. View here Regulating Imports with a Reciprocal Tariff to Rectify Trade Practices that Contribute to Large and Persistent Annual United States Goods Trade Deficits – The White House
- To rebalance the global trade **all countries** will receive a **10% increase** to ad valorem duty **except countries listed in Annex I**.
- Such rates of duty shall apply with respect to goods entered for consumption, or withdrawn from warehouse for consumption, on or after 12:01 a.m. eastern daylight time on April 5, 2025, except that goods loaded onto a vessel at the port of loading and in transit on the final mode of transit before 12:01 a.m. eastern daylight time on April 5, 2025, and entered for consumption or withdrawn from warehouse for consumption after 12:01 a.m. eastern daylight time on April 5, 2025, shall not be subject to such additional duty.
- ANNEX I contains country specific ad valorem. ANNEX I is located here. Annex-I.pdf
- Furthermore, except as otherwise provided in this order, at 12:01 a.m. eastern daylight time on April 9, 2025, all articles from trading partners enumerated in Annex I to this order imported into the customs territory of the United States shall be, consistent with law, subject to the country-specific ad valorem rates of duty specified in Annex I to this order. Such rates of duty shall apply with respect to goods entered for consumption, or withdrawn from warehouse for consumption, on or after 12:01 a.m. eastern daylight time on April 9, 2025, except that goods loaded onto a vessel at the port of loading and in transit on the final mode of transit before 12:01 a.m. eastern daylight time on April 9, 2025, and entered for consumption or withdrawn from warehouse for consumption after 12:01 a.m. eastern daylight time on April 9, 2025, shall not be subject to these country-specific ad valorem rates of duty set forth in Annex I to this order. **These country-specific ad valorem rates of duty shall apply to all articles imported pursuant to the terms of all existing U.S. trade agreements, except as provided below**.
- ANNEX II contains the goods that are exempt from this order. ANNEX II is located here. Annex-II.pdf
- This increase to duties is in addition to any other duties, fees, taxes, exactions, or charges applicable to imported articles. **USMCA qualifying goods are exempt.** This exclusion is further explained in parts (e) and (d) of the executive order.
- Goods included in Section 232 are exempt. This includes Aluminum, Steel, Derivatives, Automobiles, and Automobile parts. This exclusion is further explained in part (b).

Removal of De Minimis for China

CHINA AND HONG KONG COUNTRY OF ORIGIN

- Effective May 2nd, 2025.
- An Executive Order was issued on April 2, 2025 eliminating duty-free *de minimis* treatment for low-value imports from China.
- The Secretary of Commerce has notified that adequate systems are in place to collect tariff revenue for these shipments that were originally announced to have *de minimis* removed earlier this year.
- Imported goods sent through means other than the international postal network that are valued at or under $800 and that would otherwise qualify for the *de minimis* exemption will be subject to all applicable duties, which shall be paid in accordance with applicable entry and payment procedures.
- All relevant postal items containing goods that are sent through the international postal network that are valued at or under $800 and that would otherwise qualify for the *de minimis* exemption are subject to a duty rate of either 30% of their value or $25 per item (increasing to $50 per item after June 1, 2025). This is in lieu of any other duties, including those imposed by prior Orders.
- Carriers transporting these postal items must report shipment details to U.S. Customs and Border Protection (CBP), maintain an international carrier bond to ensure duty payment, and remit duties to CBP on a set schedule.
- CBP may require formal entry for any postal package instead of the specified duties.
- The Secretary of Commerce will submit a report within 90 days assessing the Order's impact and considering whether to extend these rules to packages from Macau.

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Current CBP Investigations

ALL COUNTRIES OF ORIGIN

- An Executive Order was issued on February 28, 2025, instructing the Secretary of the Commerce to investigate with the Secretary of Defense, the Secretary of the Interior , and the Secretary of Energy to evaluate the national security risks associated with copper import dependency. A report is due to the President within 270 days. The executive order can be viewed here Federal Register :: Addressing the Threat to National Security From Imports of Copper. Comment period ends on April 1st, 2025.
- An Executive Order was issued on March 6th, 2025, instructing the Secretary of the Commerce to investigate under section 232 of the Trade Expansion Act to determine the effects on the national security of imports of timber, lumber, and derivative products. A report is due to the President within 270 days. The executive order can be viewed here Federal Register :: Addressing the Threat to National Security From Imports of Timber, Lumber, and Their Derivative Products. Comment period ends on April 1st, 2025.
- President Trump announced via social media that he would be implementing a 200% tariff on wine, spirits, and other alcohol beverages from European Union Countries. This is in response to the EU's recently announced 50% tariff on US origin alcohol beverages. You can view the post here. Truth Details | Truth Social
- President Trump issued an executive order on March 24th, 2025 stating that "On or after April 2, 2025, a tariff of 25 percent may be imposed on all goods imported into the United States from any country that imports Venezuelan oil, whether directly from Venezuela or indirectly through third parties. Duties imposed by this order will be supplemental to duties on imports already imposed pursuant to IEEPA, section 232 of the Trade Expansion of 1962, section 301 of the Trade Act of 1974, or any other authority." Countries, based on available data and trends, that import Venezuelan oil are China, India, Spain, Cuba, Brazil, Turkey and to a lesser extent Russia, Singapore, and Vietnam. The executive order can be viewed here. IMPOSING TARIFFS ON COUNTRIES IMPORTING VENEZUELAN OIL – The White House. The Federal Register notice is here. Federal Register :: Imposing Tariffs on Countries Importing Venezuelan Oil
- President Trump stated on March 24th, 2025 that in the very near future he will announce tariffs on pharmaceuticals and aluminum. He specifically is concerned on these items being sourced from other countries and the need for these items in situations like war.
- Here is a link with a timeline published by the International Trade Council tracing President Trump's tariff changes from his 1st term to now. WP-From-the-First-Terrm-to-a-Renewed-Trade-War.pdf

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
  - The port call fees could be transformative, with Market Intelligence estimates suggesting a weighted average fee of US$165 per twenty-foot equivalent unit (TEU) for all container lines (S&P Global)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)
- MSC CEO noted the proposed fees for each US port call mean hundreds of dollars per FEU in costs passed on to shippers – and possibly make transatlantic lanes serviced by smaller vessels uneconomical – they will also drive carriers to omit calls at smaller ports, leading to lower volumes at these ports and possible congestion and delays as more containers are routed through the major hubs (Freightos).
- The USTR is specifically seeking comment on three points: (1) the level of burden or restriction on U.S. commerce arising from China's targeting of the maritime, logistics, and shipbuilding sectors for dominance; (2) the appropriate trade to be covered by responsive actions, including the type and level; and (3) whether proposed fees or restrictions on services are appropriate, including the type of services to be subject to fees or restrictions, the level of fees or restrictions, the structure of any fees, restrictions, or reimbursement of fees on services. USTR must issue its final proposal on or before April 17, 2025 (Benesch)
- *The Loadstar* was told by market sources that any port fees could only be implemented by about November, as the implementation will take six months, given the need to study findings from the public hearings last week.

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
- The USTR has scheduled a March 24 public hearing on the fees. While the actual regulation still needs to be worked out, ocean carriers are readying a variety of responses. Those include spinoffs of their China-built ships into separate fleets that serve intra-Asia and European markets. Non-Chinese carriers are also floating surcharges to cover the port fees or asking for premium rates due to their lack of exposure to China-built ships.
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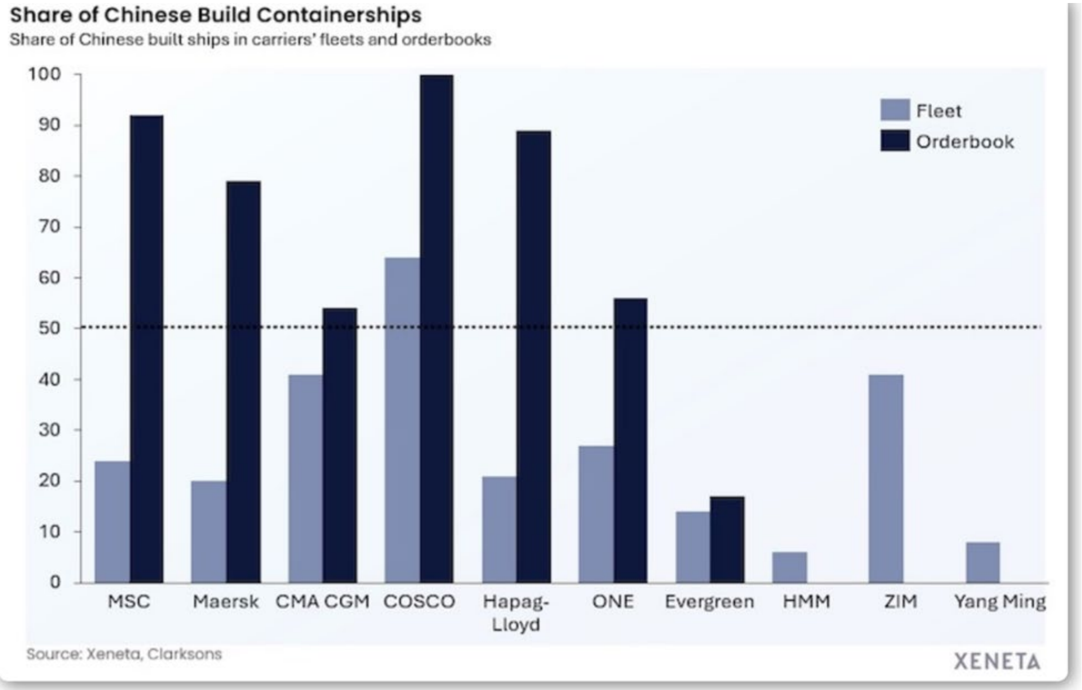

Importer Preparation Items

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.
- Customs and Border Protection (CBP) opened registration for the 2025 Trade Facilitation and Cargo Security Summit in New Orleans on May 6-8. There is also a virtual option. The TFCS Summit is a great way to hear directly from CBP the direction they moving in the coming year and receive explanations of current changes in the import/export landscape. Space is limited. 2025 Trade Facilitation and Cargo Security (TFCS) Summit - Hotsite

Next Steps

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 and 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 customs brokerage teams accordingly.