



UPS Supply Chain Solutions®

Tariff Changes & Trade Impacts:

Strategies to Mitigate
Costs in 2025

April 3, 2025



At the date of this publication, polices are evolving. This presentation is for informational purposes only.

It does not constitute legal advice - please consult with your own legal counsel for such advice.

Do not rely on this information without performing your own research.



Meet our Speakers



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Panelist

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Today's Agenda

Tariff Changes and Trade Impact

Deriving the performance for customer

1

10 Action Steps to Assess and Mitigate New Tariffs

Our World Forward by Delivering What Matters

2

Innovation Drive Key Takeaways

3

UPS Solutions & Available Resources

Building the Network of the Future

4

ANY QUESTIONS?
Ask our panelists
using the "Q&A"
function

Background

Tariff Changes & Trade Impact

Congress is traditionally responsible for managing revenue and trade, but in certain situations, it has delegated authority to the President.

This allows the President to impose tariffs and trade restrictions when deemed necessary to protect national interests or respond to economic challenges.

Trade Remedy Actions

Section 301 of the Trade Act of 1974

Unfair trade practices against the US

Section 201 of the Trade Act of 1974

Imports causing serious injury to a domestic industry

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

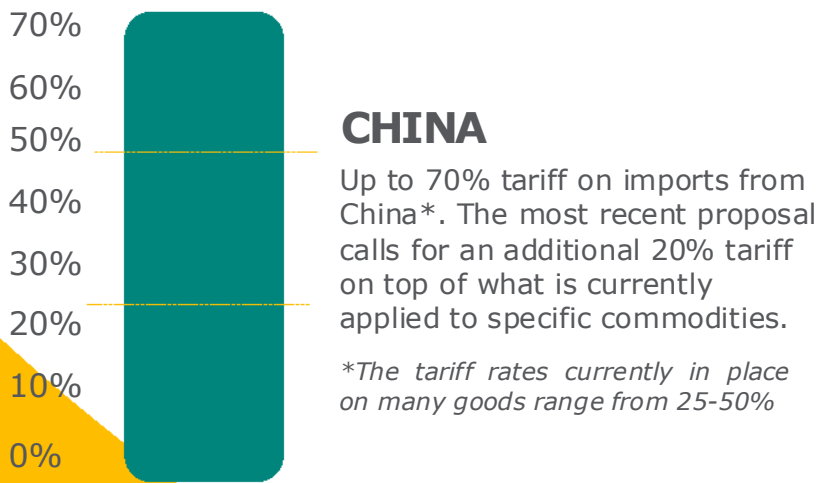
Section 122 of the Trade Act of 1974 "Large and serious" trade deficits

Section 338 of the Tariff Act of 1930

Countries that are discriminating against US commerce

US Tariffs on China/Hong Kong & Retaliatory Tariffs

Here's a snapshot of the tariff changes as of 4/1/25:



US Tariffs on Imported Goods under IEEPA

- 10% tariff effective February 4th, increased to 20% effective March 4th
- Tariffs are in addition to any existing tariffs
- De minimis disallowed (Reinstated February 5 until DOC confirms new process is ready)

China/Hong Kong Retaliatory Tariffs

- Retaliatory tariffs ranging between 10-15% on many agricultural products of US origin effective March 10



Source: [CSMS 64299816, Retaliatory Tariffs](#)

US Tariffs on Canada and Retaliatory Tariffs

Here's a snapshot of the tariff changes as of 4/1/25:

70%
60%
50%
40%
30%
20%
10%
0%



CANADA

25% IEEPA tariff for most goods with a temporary pause on the tariffs for goods eligible for USMCA

US Tariffs on Imported Goods: IEEPA

- 25% tariff effective March 4, except for certain products in the energy sector from Canada, which is at 10%

Canada Retaliatory Tariffs: IEEPA

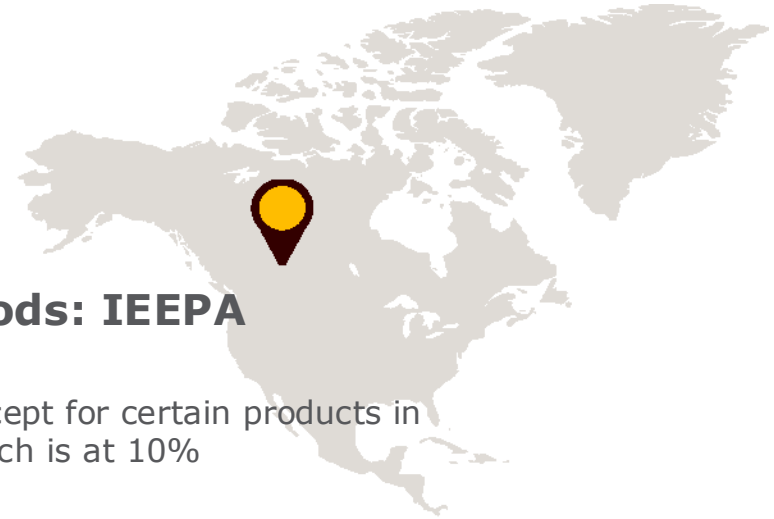
- Retaliatory surtax of 25% on many products of US origin effective March 4

US Tariffs on Steel/Aluminum: Sec 232

- Effective March 12, Canada no longer exempt from Sec 232
- Several new "derivatives" now subject
- Tariff rate for steel and aluminum articles and derivatives is 25%

Canada Retaliatory on Steel/Aluminum: Sec 232

- Retaliatory surtax of 25% on another round of US-origin goods implemented March 14



Source: CSMS[64336037](#), CSMS[64514918](#), CSMS[64384423](#), CSMS[64384496](#), [Retaliatory Tariffs](#)

US Tariffs on Mexico and Retaliatory Tariffs

Here's a snapshot of the tariff changes as of 4/1/25:

70%
60%
50%
40%
30%
20%
10%
0%



MEXICO

25% IEEPA tariff for most goods with a temporary pause on the tariffs for goods eligible for USMCA

US Tariffs on Imported Goods: IEEPA

- 25% tariff effective March 4



Mexico Retaliatory Tariffs

- List of potential goods of US origin to assess tariffs on has been compiled, but will not go into effect, pending further negotiation

US Tariffs on Steel/Aluminum: Sec 232

- Effective March 12, Mexico no longer exempt from Sec 232
- Several new "derivatives" now subject
- Tariff rate for steel and aluminum articles and derivatives is 25%

Source: CSMS[64335789](#), CSMS[64384423](#), CSMS[64384496](#)

US Tariffs on European Union and Retaliatory Tariffs

Here's a snapshot of the tariff changes as of 4/1/25:

70%
60%
50%
40%
30%
20%
10%
0%

EUROPEAN UNION

25% for steel/aluminum products and derivatives now applicable to EU countries previously exempt

US Tariffs on Steel/Aluminum: Sec 232

- Exemption from the 232 tariffs that were implemented in 2018 are no longer in effect for EU countries
- 25% tariff effective March 12

Retaliatory Tariffs

- The European Union has announced that their 2018 and 2020 rebalancing measures will be reinstated on April 13
- They were originally introduced in 2018 and 2020 to respond to US tariffs on steel and aluminum applied by the first Trump administration, and cover products ranging from boats, bourbon, jeans, motorcycles
- A new package of additional measures has been published, and will include a mix of industrial, agricultural and household items. Effective date has not yet been announced



Source: CSMS[64384423](#), CSMS[64384496](#), [Steel/Aluminum Countermeasures](#), [EU Package of Additional Measures](#)

Section 232: Steel & Aluminum Tariffs

Key insights, FAQs, and what they mean for global trade

Tariff Scope:

- 25% tariff on all steel and aluminum imports from all countries
- Includes countries previously exempt from Sec. 232 tariffs
- Aluminum imports from Russia remain subject to a 200% tariff
- No exemption for Chapter 98 special provision goods

Tariff Calculation:

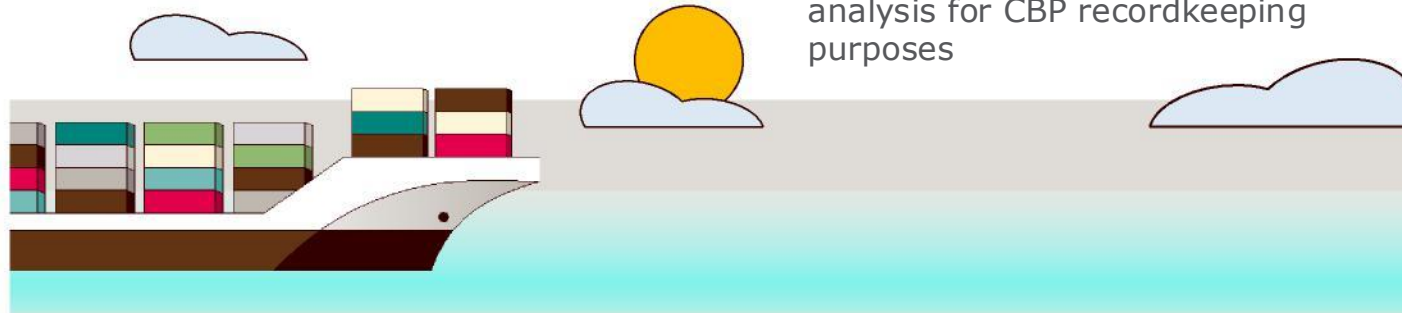
- For derivative articles outside HTS chapters 73 or 76, a 25% tariff applies only to the steel/aluminum content
- Importers responsibility to maintain a Bill of Material (BOM) for CBP verification

Derivative Product Application:

- Applies to derivative products made from steel and aluminum
- Exempt if steel was melted/poured or if aluminum was smelt/cast in the US

New Reporting Requirements:

- Importers must report the country of melt/pour (steel) and smelt/cast (aluminum)
- Keep steel mill test certificates and aluminum certificates of analysis for CBP recordkeeping purposes



US Tariffs on Imported Goods



On the Horizon

- Sec 232 investigations on copper and lumber
- Sec 301 investigation on Chinese ships

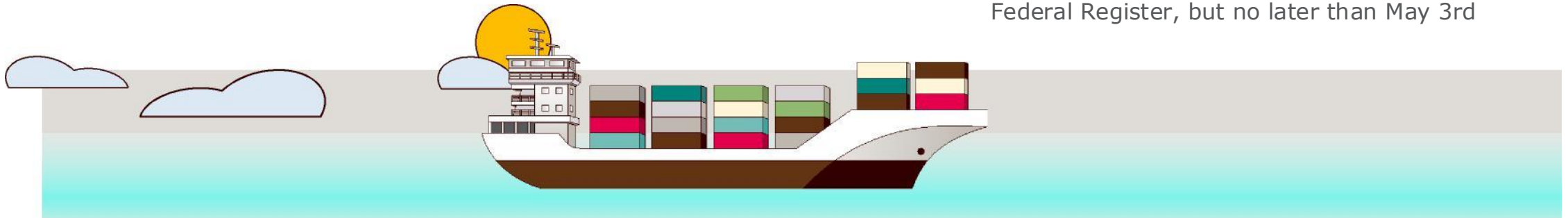
Countries Buying Venezuelan Oil Automotive: Sec 232

Effective April 2, 2025, a 25% tariff may be applied to all goods imported into the United States from any country that purchases Venezuelan oil, either directly or through third parties

- Executive Order signed on March 24
- Effective not before April 2, 25%
- Discretion on which countries to include has been given to the Secretary of State
- Executive Order cites Presidential authorities of IEEPA, Sec 301, and Sec 232

A 25% tariff was announced on automobiles (passenger vehicles, light trucks, cargo vans) and certain auto parts (engines and engine parts, transmissions and powertrain parts, electrical parts) imported into the United States. List of impacted HTS numbers was published on 4/2/2025.

- Tariffs at 25% on automobiles will be implemented at 12:01 am ET on April 3rd
- Tariff at 25% on automobile parts will be implemented according to the date specified in the Federal Register, but no later than May 3rd



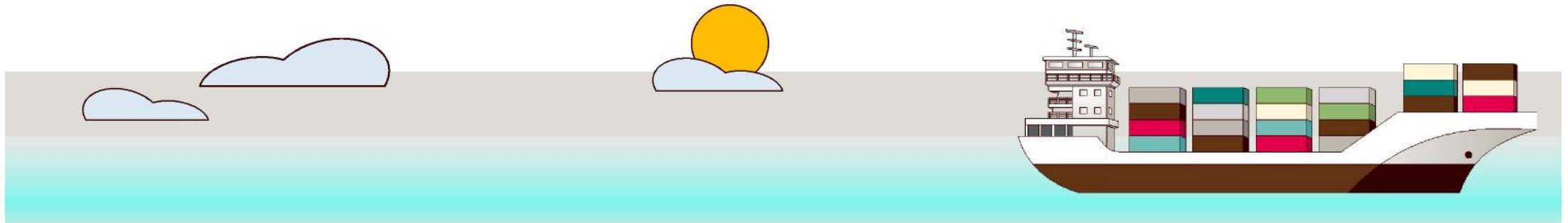
Source: [Venezuela Executive Order](#), [Automotive Executive Order](#)

America First Trade Policy Executive Rep

Reciprocal Tariffs



- Executive Order signed on April 2 under the authority of IEEPA will go into effect April 5th at 12:01am.
- Reciprocal tariffs on all countries will have a baseline of 10% (except Canada and Mexico which are still subject to the 25% IEEPA tariff).
- On April 9, 2025, individualized tariffs will be assessed. Countries and their associated tariffs were published as Annex I to the Executive Order.
- Goods subject to 232 tariffs are excluded from IEEPA tariffs. A list of those excepted HTS numbers was published as Annex II to the Executive Order.
- Effective May 2, de minimis for China and Hong Kong will end.



Source: [White House Fact Sheet](#), [Executive Order for de minimis](#), [Annex I](#), [Annex II](#)



UPS Trade Insights

Action Steps to Assess and Mitigate New Tariffs



Trade Remedy Active Response Checklist

Identify which risk reduction strategies align to your business needs

1 Assess the impact of changed tariffs **6**

2 Consider United States-Mexico-Canada Agreement (USMCA)

3 Investigate Duty Drawback

4 Consider FTZ, Bonded Warehouses & Transportation & Export Bonds (T&E)

5 Validate Product Origin & Product Valuation

7 Consider Chapter 98: Duty Free Provisions

7 Address Surety Bond Concerns

8 Ensure the Finance Side of Importing is in Order (ACH)

9 Investigate Cost Controls through Consolidation and Mode Shifts

10 Start optimizing your supply chain

Assess the Impact of Changed Tariffs

Trade Remedy Active Response Checklist

Assess the impact

Which of your products are impacted, how much their costs will change, and the overall effect on your bottom line

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



Things are changing

de minimis changes May 2

Stay in tune with the changes that will affect your business model

For example, one shipment with mixed origin



Consider United States-Mexico-Canada Agreement (USMCA)

Trade Remedy Active Response Checklist

USMCA/CUSMA/T-MEC



- Agreed to promote fair and balanced trade



- It replaced/modernized the previously existing agreement NAFTA/TLCAN



- Framework of trade cooperation within parties, with provision on Labor, Intellectual Property, amongst others



- Eliminate Duty for goods that qualify according to rules set out in this agreement

Things are changing

Goods that qualify under USMCA can enter the U.S. duty-free, with the exception of steel, aluminum and automotive

What does it mean to qualify under USMCA

- Determine the origin of the product based on Defined Rules
- **US Importers:** Ensure that your suppliers can provide the proper documentation, proof of origin so you can leverage the benefits of USMCA
- Selling/manufacturing goods in Mexico or Canada
 - Ensure that you understand rules of origin for your products
 - Do a cost-benefit analysis of implementing a program to offer qualifying goods

Investigate Duty Drawback

Trade Remedy Active Response Checklist

Duty drawback is a refund of up to 99% of US import duties, fees and taxes you may be able to claim when you export out of the United States



Import Pay Duty Export Duty Drawback

Qualification for drawback is now broader than before. That means you may be able to bring significant savings to your bottom line. Even if your company doesn't import or export, we can work with your customers and suppliers to get the drawback for which your products may qualify

**Section 301 duties are eligible for drawback, whereas Section 232 Steel & Aluminum and IEEPA additional duties are not eligible to drawback"*



Many of the new tariffs are not eligible for drawback



As a general guideline, **\$50,000** in duty re-exported per year reflects the balance between value and cost



Improve cash flow with
delayed duties and fees

Consider Foreign Trade Zones, Bonded Warehouses, and Transportation & Export Bonds

Trade Remedy Active Response Checklist

Foreign Trade Zone (FTZ)

- Physical, secure area within US boundaries, near a Port of Entry
- Considered outside US customs territory for duty payment purposes
- Allows for duty deferral, reduction, or elimination on certain goods

Bonded Warehouse

- Secure storage facility for goods subject to customs duties
- Duties/taxes deferred until goods are released
- Used frequently in international trade

Transportation & Export Bond (T&E)

- US customs bond allowing goods to move through the US without duties/taxes
- Applies to goods destined for export (e.g., to Canada or Mexico)
- Shipment must exit the US within a specified timeframe

Validate Product Origin

Trade Remedy Active Response Checklist

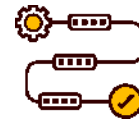
Country of Origin

Most tariffs are determined by the Country of Origin, which is governed by specific Rules of Origin. Understanding these rules is essential to ensure compliance and avoid unintentional misclassification that could impact your duty liability



Simple Assembly

- Fitting together 5 or fewer parts, excluding fasteners such as screws, bolts, etc., by bolting, gluing, soldering, sewing, or by other means



Substantial Transformation:

- The product undergoes a fundamental change in form, appearance, nature or character
- The change significantly increases the product's value
- Change in product classification (HTS code) may indicate substantial transformation

Validate Product Valuation

Trade Remedy Active Response Checklist



Valuation

CBP's rules for validation, also known as Basis of Appraisal, require any ad valorem duty to be calculated on the FOB value. Does the First Sale rule apply? Are Assists involved and handled correctly?

First Sale

- In multi-tiered transactions involving three or more unrelated parties, the **First Sale Rule** may apply, allowing the value to be based on the sale between the **foreign seller** and the **middleman** instead of the **middleman** and the **US buyer**

Incoterms

- If the seller includes **freight, duty, or other incidental international charges** in the sales price to the US buyer, the broker can **deduct these costs** to determine the Net Entered Value



Chapter 98: Duty Free Provisions

Trade Remedy Active Response Checklist

Special HTS Chapter 98 Provisions:

- Goods eligible for these provisions are not subject to IEEPA or 301 tariffs (but are subject to 232 tariffs)
- Must meet specific criteria and provide supporting documentation

Frequently Used Chapter 98 Provisions

9801.00	US or foreign-origin goods previously imported, returned to the US without value-added or improvement
9802.00.40- 9802.00.60.	Articles returned to the US after having been repaired, altered, or processed. Duty is owed on the value added while abroad only. USMCA eligibility for duty-free treatment on Canada/Mexico repairs *Goods classified in 9802.00.60 are not exempt from the 232 tariffs*
9802.00.80	US-origin components assembled abroad—US parts not subject to duty
9808.00	Articles for the use of any agency of the United States
9811.00	Samples valued under \$1 or rendered unusable except as samples
9813.00	Temporary Importation under Bond (TIB)
9817.00	Machinery, equipment, implements and parts for agricultural or horticultural use
9817.00	Articles specially designed or adapted for use by the blind or physically/mentally handicapped persons



Next Steps:

Work with your brokerage representative to confirm eligibility and required documentation

Surety Bond Concerns with New Tariffs

Trade Remedy Active Response Checklist



Bond Amount

Surety bond must be 10% of the amount of duty paid in 12 months



Bond Limit

If you currently have a bond for the minimum amount (\$ 50,000), and previously had no or minimal duty outlay, with the new tariffs you may quickly exceed your bond limit



Evaluate

Carefully evaluate your anticipated duty outlay to ensure your bond is high enough

If your bond “saturates” before its natural renewal date, you will need to terminate and replace existing bond

CBP will send a notice, and you have 30 days to get a new (larger) bond



Underwriting

The surety companies require bond applications to go through an underwriting process once a certain level has been reached (varies between \$ 200,000 and \$ 300,000 between the various sureties)

This may result in additional time to process the new bond and/or collateral requirements

Ensure the Finance Side of Importing is in Order

Trade Remedy Active Response Checklist



With the increase in IEEPA tariffs, 232 and 301 duties outlays for customers will increase substantially

- To help reduce your costs it is recommended that you set up Automated Clearinghouse (ACH) - debit with US CBP
- ACH debit allows CBP to debit the account for any duties and taxes due on importations to the US
- If you want the broker to pay on your behalf, you will pay a fee for that service. You may want to pay that amount yourself. All brokers will make decisions on how much we are willing to advance and will be monitoring very carefully
- Some smaller brokers have said they won't advance at all and all their customers must pay in advance

Benefits for the Customer

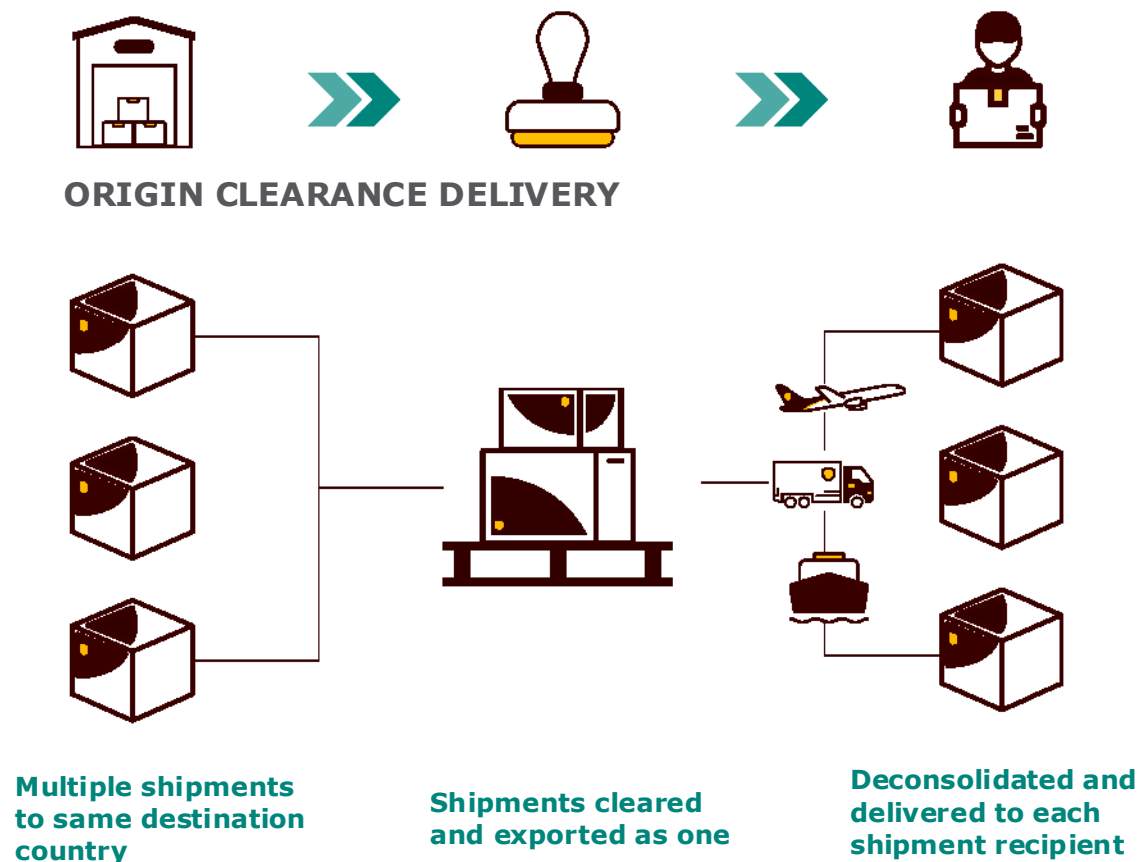
- Reduction in ADF costs
 - If set up on ACH periodic monthly statement, duties are only pulled from account once a month for all transactions from previous month. This allows greater flexibility in cash flow for the customer



Investigate Cost Controls

Trade Remedy Active Response Checklist

Revisit and update the cost-benefit analyses that guided your current supply base decisions



May reduce fees if cleared consolidated

- Merchandise Processing Fee
- Clearance Fees
- Disbursement Fees
- Free Domicile Fees
- Government Agency Fees

EXAMPLE

For illustrative purposes only



Value: \$19,500
x15

MPF per shipment = \$67.55
MPF 15 shipments = \$1,013 (per day)

MPF 1 consolidated shipment: \$634.62

Savings: \$378.38 per day / ~95K per year

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*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

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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

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

UPS Trade Direct® Tool

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 Fee,
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



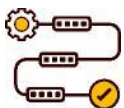
Assess your exposure to tariff changes

- 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



UPS Available Resources

Contact Information



Global Trade Advisory Services/ Duty Drawback

UPS® Trade Advisory Services (TAS):
Tradeadvisoryservices@ups.com

Foreign Trade Zones

UPS Zone Solutions:
upszonesolutions@ups.com

ACH Setup Process:

<http://bit.ly/CBP-ACH>

General Questions/FAQs

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Questions?



THANK YOU