What Can Importers Do Now?

Despite the uncertainty of the timing, scope, and duty rates associated with new tariffs, there are strategic steps importers can take to lower risk, mitigate the impacts of new duties, and build a more resilient supply chain. We are here to help you every step of the way. Here are some of our recommendations:

CBP Provided FAQs & Guidance

- New Tariff Requirements for 2025
- International Emergency Economic Powers Act (IEEPA)
- Section 232 Tariffs on Steel and Aluminum
- Section 301 Trade Remedies

Tariff/Product Engineering

Discover opportunities to legally classify and declare goods under an HTSUS provision to benefit from a lower duty rate.

Tariff engineering refers to design and manufacturing decisions made in such a way that the manufactured goods are classified with the U.S. HTS numbers that carry lower duty rates.

First, verify your U.S. HTS classification numbers to ensure that your products are classified correctly, and that you are not missing an opportunity for a lower duty rate.

Second, explore opportunities to change your product's design resulting in a different HTS classification and lower duty rate.

Origin Engineering

Origin engineering focuses on sourcing essential inputs from countries not affected by increased tariffs. By altering key manufacturing steps or changing suppliers, businesses can leverage trade agreements and reduce exposure to higher duties. When exploring import options from various countries, numerous factors must be considered. This proactive approach requires careful planning and execution but offers substantial cost savings.

It is also wise to investigate any benefits from existing trade agreements, as these can provide cost savings and smoother operations. Consider any potential changes to logistics costs or capabilities, as these can influence your overall strategy. Finally, examine the regulatory requirements to ensure compliance and avoid legal hurdles.

As you consider these different strategies, keep in mind the dynamic and unpredictable nature of the new environment. For example, countries with lower tariffs today, may not provide the same opportunities in the near future.

Additional Strategies

- **First Sale Strategy:** Explore a possibility of lowering your import duties by using the first sale price instead of subsequent higher prices to determine Customs value and calculate duties.
    - **Here is how it works:** When goods are imported, Customs duties and fees are typically calculated based on the transaction value. In many supply chains, products are sold multiple times before reaching their final destination. Where two or more transactions may qualify as "sales for exportation to the United States", the First Sale Strategy allows importers to use the price paid in the first sale in the supply chain, often between the manufacturer and the middleman, as the basis for duty calculation. This price is often lower than the price in subsequent transactions, which means lower duties and fees. For a transaction to qualify as the First Sale, it has to satisfy numerous requirements.

    - To successfully adopt the First Sale Strategy, Deringer customers should work closely with an expert to ensure compliance with all applicable regulations. Additionally, maintaining detailed documentation of all transactions and agreements in the supply chain is crucial.

- **Value Adjustments:** Minimize payments or charges that are not directly related to the production of your goods.
    - The Trade Agreements Act of 1979 codified at 19 U.S.C. 1401a, sets forth the rules for appraisement of imported merchandise. The Act sets forth six different methods of appraisement, and their order of preference. The Act allows for certain deductions from the appraised value.
        - At its core, value adjustment is about understanding Customs valuation law, using the correct valuation methodology and lowering the declared value by applying allowable deductions.
        - Tariffs are typically calculated as a percentage of the declared value of the goods being imported. Therefore, by lowering the Customs value, companies can effectively reduce the amount of tariffs they are obligated to pay.
        - Making value adjustments requires a thorough understanding of the Customs regulations and guidelines. Engaging in this practice necessitates a detailed analysis of invoices and contracts, ensuring that all deductions are compliant with Customs valuation laws. This strategic foresight not only helps in mitigating tariffs but also ensures that businesses remain compliant with international trade regulations, avoiding potential fines, penalties, or liquidated damages.

- **Trade Remedy Reviews:** Decrease anti-dumping and countervailing duties through administrative reviews, new shipper reviews, or scope rulings. A trade remedy review aims to ensure that these duties remain fair, relevant, and reflective of current market conditions.
    - **Administrative Reviews** are periodic assessments that re-evaluate the necessity and rate of existing anti-dumping or countervailing duties. They ensure that the duties correspond to the current level of dumping or subsidization. By participating in an administrative review, companies may demonstrate changes in pricing, cost structures, or market conditions, which could result in a reduction of duties if the original reasons for imposing them have altered.
    - **New Shipper Reviews** are tailored for companies that were not originally subject to the duties but have since begun exporting the products in question. By undergoing a new shipper review, these companies can potentially secure a lower duty rate if they can prove that they are not engaged in dumping or benefiting from unfair subsidies.
    - **Scope Rulings** determine whether a particular product falls within the scope of an existing trade remedy measure. If a product is found to be outside the scope, it would not be subject to the duties, potentially saving significant costs for the importer or exporter.
    - By engaging in these reviews, companies can potentially decrease or eliminate the additional costs imposed by trade remedies, thus enhancing their competitiveness in the market. Lowering these duties can significantly reduce the cost of importing goods, translating into savings that can be passed on to consumers or reinvested into the business.

- **Deferral Tactics:** Explore the use of bonded warehouses, Temporary Import Bonds (TIB), or in-bond movements to defer duty payments.
    - **Bonded warehouses** operate in a secured area in which imported dutiable merchandise may be stored,

manipulated, or undergo manufacturing operations without payment of duty for up to five years from the date of importation. Goods can remain in these warehouses for extended periods, allowing businesses to defer duty payments until the products are withdrawn for sale or distribution. This not only delays the financial outlay, but also provides flexibility in inventory management and market timing.

- **Transportation Bonds** can be used by importers to avoid making entry and paying duties on goods that are merely transporting through the U.S., as long as certain export or bond cancellation timeframes are met.
- **Temporary Import Bonds (TIBs)** are particularly beneficial for businesses importing goods temporarily for specific purposes, such as exhibitions, repairs, or processing. A TIB allows these goods to enter the country without duty payment, provided they are exported or destroyed within a specific timeframe. This approach helps companies avoid unnecessary duty costs on temporary imports.

Effective Advocacy for Tariff Reduction

- Advocacy plays a crucial role in influencing trade policies and securing tariff reductions. Engaging with legislative bodies and regulatory agencies through trade organizations, coalitions and formal requests can lead to favorable outcomes.
  - **Advocacy** may take the form of becoming champion for the reduction of tariffs and deregulation through strategic measures such as the Miscellaneous Tariff Bill, executive actions, and legislative or agency rulemakings.
  - Specifically, there is still time for importers to seek **Section 301 Exclusions**. Out of 312 subheadings in Chapters 84/85, 164 products remain eligible for exclusions until May 2025. To qualify, requests for exclusions must be submitted by March 31, 2025.
  - Importers may wish to urge the U.S. Trade Representative (USTR) and Congress to **reinstate a comprehensive exclusion process.** Advocate for the renewal of expired exclusions and the implementation of retroactive applications for these exclusions.