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WHAT IS A TARIFF

- Import / Consumption Tax
- Ad Valorem
- Paid by the importer of record in the USA

Applied by identifying the product (HTS CODE), The value (commercial invoice) the country of origin/manufacture (Certificate of origin or commercial invoice), any special trade agreements such as free trade agreements or extra costs such as Anti-dumping/Counter Veiling duties or country specific barriers to entry such as sanctioned countries the USA does not trade with.



United States Customs- part of the Department of The Treasury of the USA

4th act of the continental congress. Started operating on July 31, 1789

Until the early 1900's when income tax revenue exceeded it, the only source of Federal revenue to fund ALL government activities and programs was import consumption tariffs.

Now referred to as Customs and Border Protection (CBP) and part of the Department of Homeland Security although duty payments are still made to the Department of the Treasury. Millions and Millions of pounds of cargo every day worth billions of dollars.

When something enters the first port/airport/border crossing point of the USA a customs clearance process must ensue. Customs clearance and release could take place right at that first point, or another interior point in the USA but goods are not made available to the importer of record or their agent until customs and all other federal agencies where applicable have released the shipment and import duties/tariffs/user fees have been assessed. Payment of customs duties is required 7 days from the date of release in the USA.





The Harmonized system Tariff of the United States (HTSUS) is 99 chapters in length and 4000+ pages long. All countries in the world have a Harmonized tariff system and the first 6 numerical digits that describe products are the same in every tariff in the developed world. After the first 6 digits the numbers change to suit different product interpretations and country specific structure of their tariff.

Why has the Trump Administration threatened to increase tariffs / taxes / duties on imported products?

- To promote a specific response from some countries on international relations issues. Stop illegal drug trafficking into the USA or stop illegal immigration into the USA etc....
- To get other countries to change their behavior on International Trade issues. Such as countries creating barriers to U.S. products in their markets overseas, or high duties/tariffs on certain USA products like U.S. dairy products into Canada, or to stop illegal business activities such as industrial espionage by China or the theft of American Intellectual property by China.
- To level the tariff/duty/tax playing field. The Trump Administration has asserted that other countries charge high tariffs on U.S. products much higher than the USA was charging on similar products shipped to the USA by those same countries.

Why has the Trump Administration threatened to increase tariffs / taxes / duties on imported products?

- To encourage the return of certain manufacturing industries to the USA or protect the current commodity specific trades and workforces such as Automotive manufacturing. By making foreign made automotive parts, or steel or electronics more expensive through high tariffs, companies in those businesses may decide it is less expensive long term to make those products in the USA instead of importing them from countries overseas with historically lower labor costs.
- To give the United States more tariff revenue into the treasury. This may be to pay for tax cuts, or to do away with income tax, or to shore up Social Security and Medicare or just because we want lots of money in the government's wallet.

THE CURRENT TARIFF LANDSCAPE

10% universal reciprocal tariff on all countries except China, Mexico and Canada

Mexico and Canada the USMCA free trade agreement is still valid, but there are carve out commodity specific tariff increases such as Automotive products, steel, aluminum, dairy etc...

Threats to other countries such as Brazil for a 50% tariff- Trump wants legal amnesty for a political ally

China-

Section 301 2018 tariff- 25%

Fentanyl 2025 tariff- 20% (International Emergency Economic Powers Act- IEEPA)

Steel and Aluminum where applicable- 25%

Reciprocal 2025 China penalty- 30%

Where are tariffs going?

Likely the USA will negotiate bi-lateral trade deals with most developed countries and trading blocs (EU) to fix the tariffs at a rates that are manageable, but is indicative of the individual challenges within each relationship. Some free trade “ZERO FOR ZERO” deals are possible such as Zimbabwe, Indonesia, the UK and India where discussions have taken place along this line of thinking. Also, market access on products by both parties and continued commodity specific high rates to promote manufacturing of certain industries in the USA should be expected. Trump wants investment in USA manufacturing by U.S. companies and foreign companies and will keep tariffs high in certain industries to create re-shoring/near-shoring.

Where are tariffs going?

China is the elephant in the room. A trade deal is very likely, but it is unlikely that it will reduce dramatically or make the USA and China very friendly with each other. Tariffs have been weaponized now by both sides and are likely to remain a tool both sides will use in the broader negotiating of big geopolitical issues that regularly have the 2 biggest kids on the playground pushing and shoving each other.



Other trade actions

De-minimus restrictions

Port Taxes

U.S. flag mandates for ships

The effect of USA import tariffs on USA export sales to other countries



QUESTIONS?



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