Trade, Tariffs and More

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PwC Speakers today

John O'Loughlin,
Partner, Global Trade and Customs
john.p.oloughlin@pwc.com
087 653 3989

Peter Reilly,
Partner, Tax Policy Leader
peter.reilly@ie.pwc.com
087 372 0882

Colm O'Callaghan,
Partner, PwC Private
colm.ocallaghan@pwc.com
087 7761711

01

Global Trade & Customs

Introduction – When Products cross borders

Manufacturer
- Releases finished goods from factory
- Issues invoice and packing list to Buyer/Importer
- Goods move via inland freight to port of export

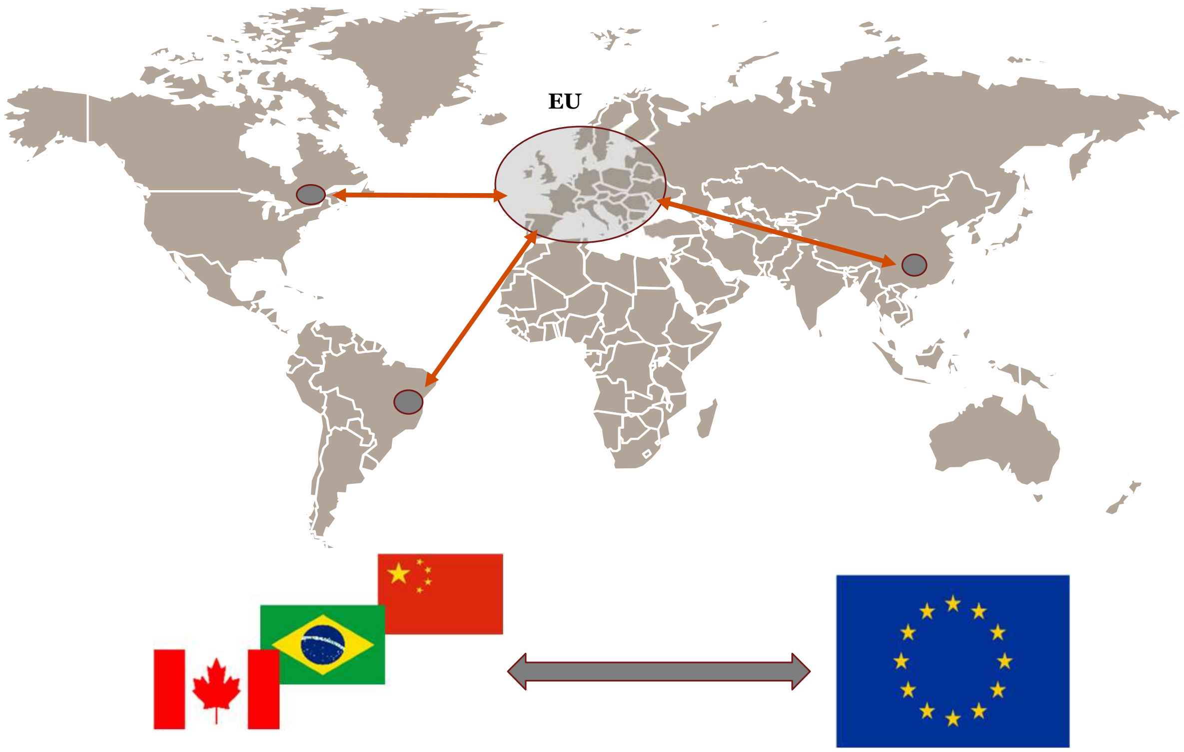
Shipper
- Goods loaded onto ship/plane/truck
- Bill of lading issued
- Goods leave country of export

Customs Clearance
- Entry document package includes: entry declaration form, commercial invoice, packing list, and bill of lading
- Additional documents may include FTA certificates, import licence (e.g. FDA regulated products), and other misc. documents

Importer
- Declares goods to customs authorities
- Receives goods into inventory and onward sells goods to customers

For every export, there is a subsequent import

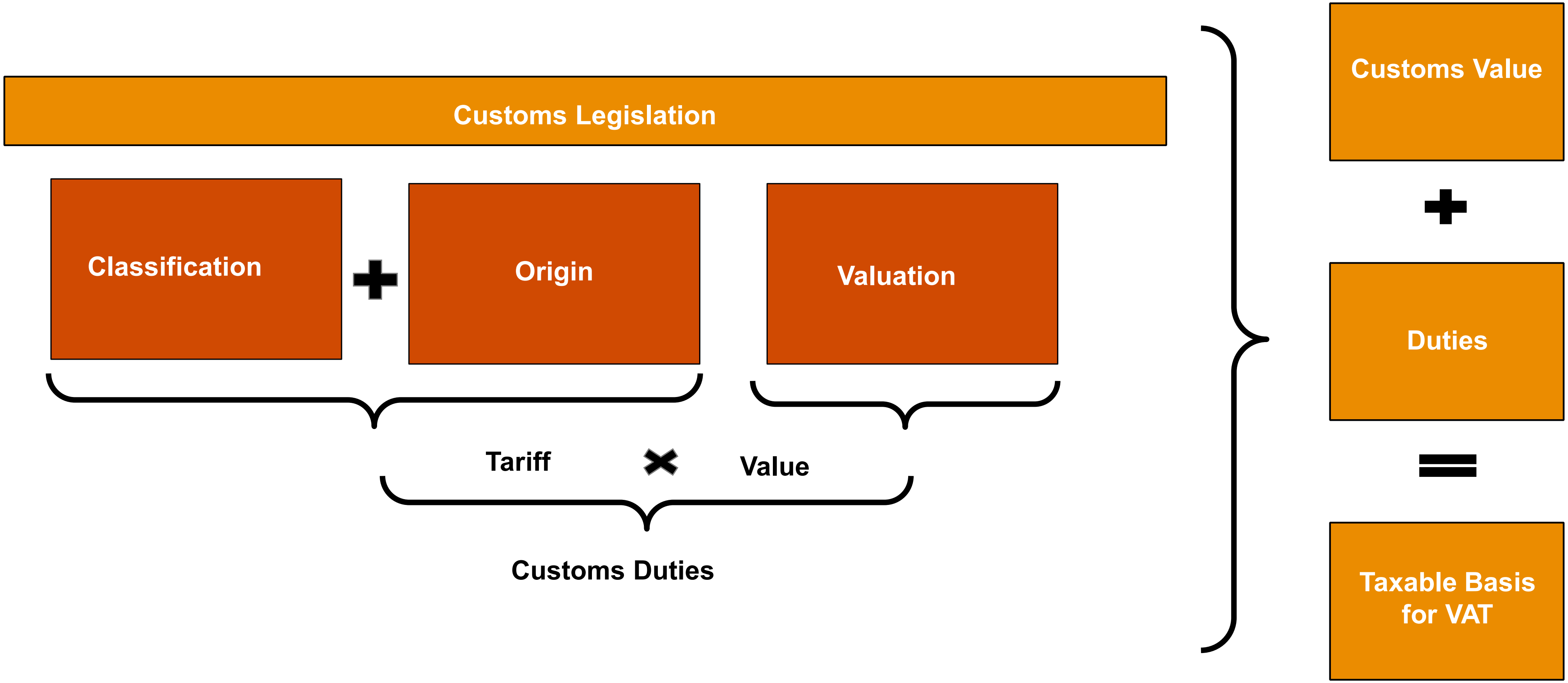
General Principles of EU Customs – Imports & Exports



Important Considerations

- Shipments to the EU from third countries are subject to ***import formalities***.
- Shipments from the EU to third countries are subject to ***export formalities.***
- Customs formalities include presentation of a customs declaration, relevant supporting documentation and other misc. requirements.
- The EU is a customs union, which means that no borders exist within the EU for customs purposes.
- Therefore, any movements of goods ***intra-EU*** (i.e. from one EU country to another) are **not** subject to customs formalities.

Customs Duty Drivers



02

Trump Tariffs

In the news this week

Trump's Tariffs: 'We're in early stages talks with US' – EU

Dimon, Ackman warn on tariffs as Wall Street roiled by trade war

EU in early talks with US but preparing 'robust' tariff countermeasures, says trade chief - Europe live

EU set to drop bourbon from retaliatory tariffs list against US

Background to US Tariffs

During President Trump's first term (20 January 2017 to 20 January 2021), his administration's trade policy and use of tariffs marked a significant shift in the US approach to international trade.

2017 Policy Measures	Details	Actual outcomes
Renegotiate Trade Agreements	Proposal to explore alternatives for the North American Free Trade Agreement (NAFTA)	The United States-Mexico-Canada Agreement **(USMCA) entered into force** on July 1, 2020 as a substitute to NAFTA
Impose Tariffs	Implement tariffs on imports into the US	Tariffs of up to **25% were imposed on Chinese goods**, along with **25% tariffs on steel and 10% tariffs on aluminum** from various countries, including the European Union
Reduce Trade Deficit	Decrease the US trade deficit by promoting US exports and reducing imports	While the tariffs on China did reduce imports from China, these were largely offset by increased imports from other countries, leading to a **$916 billion trade deficit in goods**, marking an increase of approximately 21% from 2016

President Trump's second term has significantly focused on the use of tariffs and trade policy as a measure to affect change in other countries.

2025 Policy Measures	Details
America First Trade Policy	Review of US trade practices and policies with a view to reducing the US trade deficit / US trade relations with China
Implementation of Tariffs	Implement both blanket and sectoral tariffs on inbound goods entering the US – China / Mexico / Canada tariffs
Reciprocal Tariff Plan	Review tariff imposed on US goods by 3rd countries and impose measures to level the difference between rates

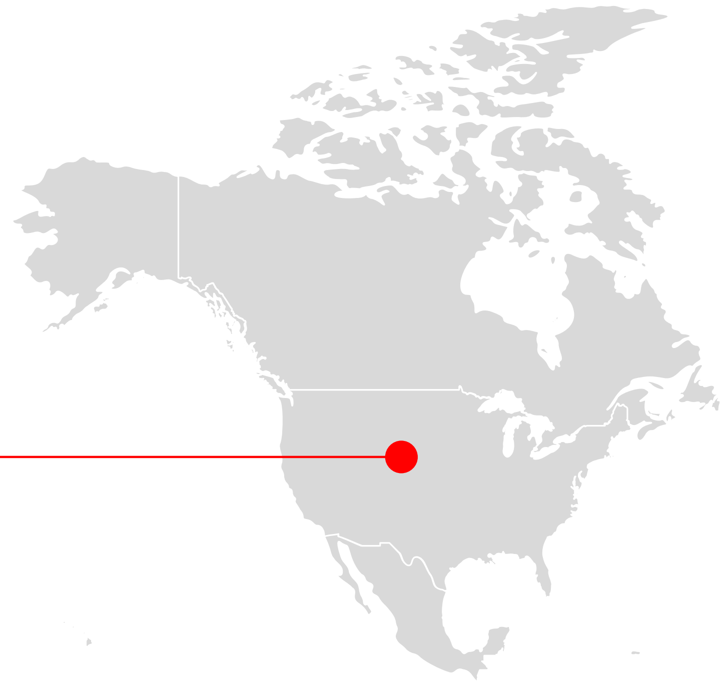
US Tariffs – Recent Position

United States

- **Trump Tariffs** – Recent executive orders have impacted tariffs, with some temporarily postponed. Below is the current tariff landscape:
  - **China-origin goods: 20% tariff**, in addition to existing rates (which can be up to 50% on certain goods and 100% on electric vehicles).
  - **Mexico & Canada USMCA qualifying: 25% tariff** delayed indefinately
  - **Mexico & Canada origin but not USMCA qualifying:** *effective as* **March 4**
  - **Steel & Aluminum: 25% tariff** on covered imports from all countries (except Russian aluminum at 200%) effective **March 12.**
  - **Motor Cars: 25% tariff** on covered imports from all countries (some exception for Mexico and Canada) effective **April 3**.
  - **De minimis** will be eliminated for goods subject to IEEPA tariffs (and possibly all goods subject to Sec. 301, Sec. 232, or Sec. 201) when systems required become operational

- **America First Trade Policy (Jan 20, 2025)**
  - **Investigation of Unfair and Unbalanced Trade deficit (Sec. 2a)** – focus on countries with annual trade deficits in goods could be targets for specific country tariffs
  - **Investigation of Unfair Trade Practices (Sec. 2c)** – could involve a myriad of options of executive orders / executive actions on tariffs
  - **Consultation / Review of USMCA (Sec. 2d)** – could speed up negotiations of USMCA prior to the July 2026 review
  - **PNTR with China (3d)** – request for proposed changes to normal trade relations with PRC
  - Investigations to be concluded by **April 1**

- **Reciprocal Trade and Tariff Order (Feb 13, 2025)**
  - **Fair and Reciprocal Plan (FARP) (Sec. 2**) investigation on non-reciprocal trade relationships with the US (to include VAT)
  - **Taking Action (Sec. 3)** – within 180 days **(Aug. 12 2025)**



“Liberation Day” – Reciprocal Tariffs

- Minimum ***base level 10% tariff*** on all countries.
  - This will ***take effect April 5, 2025***
- ***Individualized reciprocal higher tariff*** on the countries with which the United States has the largest trade deficits.
  - This will ***take effect April 9, 2025***
- All other countries will continue to be subject to the original 10% tariff baseline.
- Tariffs will remain in effect until such a time as President Trump determines that the threat posed by the trade deficit and underlying nonreciprocal treatment is satisfied, resolved, or mitigated.
- IEEPA Order also contains modification authority, allowing the increase of tariffs if trading partners retaliate or decrease the tariffs if trading partners take significant steps to remedy non-reciprocal trade arrangements.

Goods Exempt From Reciprocal Tariffs
Steel/aluminium articles already subject to Section 232 tariffs
Cars/car parts already subject to Section 232 tariffs
Copper
Pharmaceuticals *
Semiconductors
Lumber articles
All articles that may become subject to future Section 232 tariffs
Bullion
Energy and other certain minerals that are not available in the US
Articles subject to 50 USC 1702(b) (Communications, Donations, Informational Materials)

* Medical devices are not contained within the list and therefore will be subject to the additional tariffs

Reciprocal Tariffs* – Key Markets

Country	Rate	Country	Rate
China	**34%**	Cambodia	49%
European Union	**20%**	South Africa	30%
Switzerland	**31%**	Bangladesh	37%
United Kingdom	**10%**	Singapore	10%
Japan	**24%**	Israel	17%
Brazil	**10%**	Philippines	17%
Vietnam	46%	Chile	10%
Taiwan	32%	Australia	10%
India	26%	Pakistan	29%
South Korea	25%	Turkey	10%
Thailand	36%	Sri Lanka	44%
Indonesia	32%	Colombia	10%

This list is not exhaustive

EU Countermeasures & Commentary

EU Retaliatory Measures

On March 12th, the EU Commission announced countermeasures in response to the US tariffs on steel and aluminium products, which they deemed "*unjustified*".

The tariffs which will be imposed range from 10% to 75% with the majority of products falling within the 25% category.

Following a period of consultation, the EU has postponed the implementation of these measures until 15 April with a vote taking place on 9 April.

Following Trump's announcement, the EU's main priority is to negotiate however EU trade commissioner Maroš Šefčovič has shared "*until now, despite of efforts … we haven't seen the real engagement which would lead to the mutually acceptable solution" from the US side*"

On 15 April, it is believed the EU will publishe the first category/list of products which will be subject to duty. The remaining duties will be introduced on the 15 May. Some news sources are specifying most tariffs will take effect 16 May, while other duties will be introduced in December. This remains to be confirmed.

Ursula Von der Leyen

"We stand ready to negotiate with the US. Indeed, we have offered zero-for-zero tariffs for industrial goods as we have successfully done with many other trading partners.

Because Europe is always ready for a good deal. So we keep it on the table. But we are also prepared to respond through countermeasures and defend our interests."

Tariff Mitigation Strategies

Where tariffs are in place, certain strategies can be employed to minimise / reduce their impact.

US Mitigation Strategy	Detail	Considerations
Duty Drawback	Allows for a refund of duty on products which have been re-exported from the US	Recent US trade policies have prevented the use of this strategy
Bonded warehouse	Entering goods under a bonded warehouse / FTZ deferring the duty payment until such a time as they are released to free circulation	Set up costs / time
First sale valuation	Customs valuation methodology to use the "first sale" within a chain of sales – lowering the tax base on which tariffs are applied	Must be a bona-fide sale
Alternative valuation	Consider using other methods of valuation (where allowable) to reduce customs value	Must have a legal basis for using an alternative value
Origin shifting	Shift sourcing location to benefit from reduced duty rate in comparison with current location	Availability of materials / quality of materials
FTA / Origin compliance	Review non-preferential origin rules to ensure origin determination is correct	Origin determination may not be favourable
Tariff classification	Review classification of products to ensure they are not captured by a tariff measure incorrectly	Blanket tariffs make this irrelevant

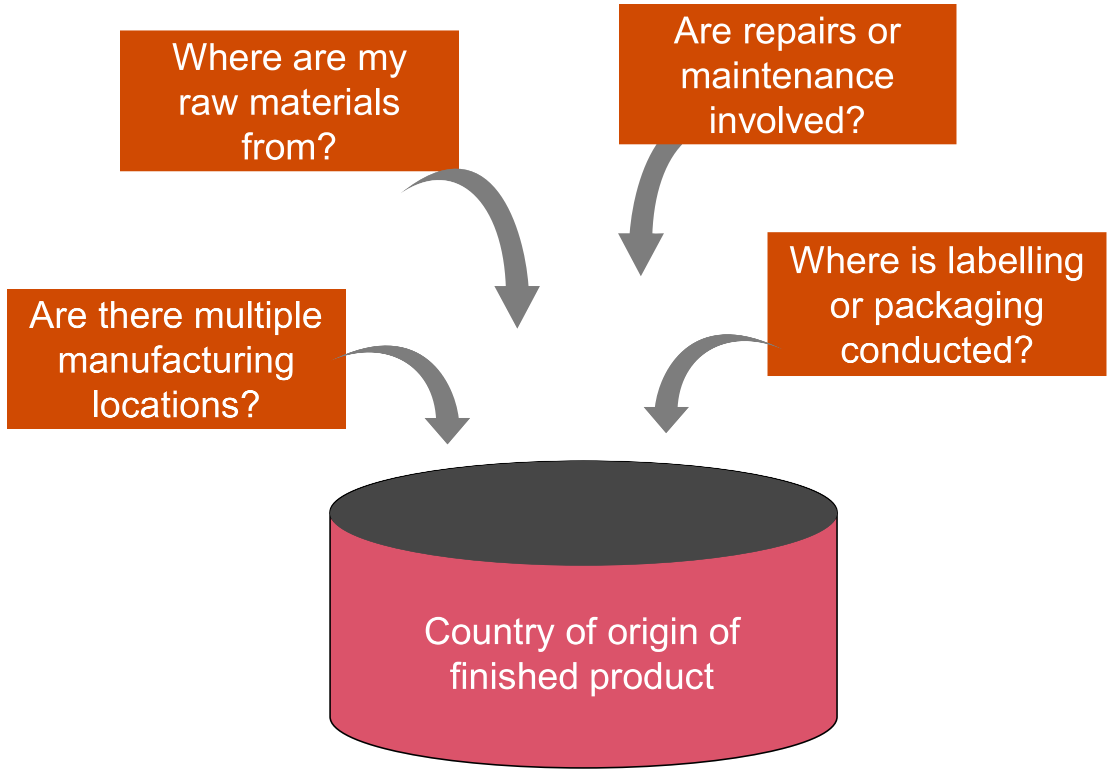
EU Mitigation Strategy	Detail	Considerations
Inward Processing	Non-Union goods brought into the EU for further processing e.g. raw materials imported for processing into a finished product	Intensive tracking and reporting, set up costs/time
Outward Processing	EU goods can be temporarily exported for processing or repair in another territory, and re-imported with duty relief	Intensive tracking and reporting
Customs Warehousing	Non-Union goods can be stored in a customs warehouse with duty suspended until released into free circulation. If goods are re-exported, duty remains suspended	Authorisation requirements
Returned Goods Relief	Union goods can be re-imported into the EU without payment of duty or VAT.	Must have method for tracking individual products

Tariff Impacts – Understanding which tariffs apply

- The rules of origin are key to understanding which tariff applies to your goods on import into the US
- A flow of goods can occur through multiple countries, but a product can only have one **country of origin**
- The country of origin is generally - not always - the country of manufacture
- Non-preferential origin is critical whereby the US applies the **substantial transformation** criterion:

  "an article that consists in whole or in part of materials from more than one country is a product of the last country in which it has been substantially transformed into a new and different article of commerce with a name, character, and use distinct from that of the article or articles from which is was so transformed…"

Substantial Transformation considerations



First Sale Valuation

First Sale for Export ("FSFE" or "First Sale") is a US customs valuation concept that can result in significant duty savings for companies importing dutiable merchandise using multi-tiered supply chain

How to use it

- Under FSFE methodology, the basis for all customs assessments (i.e., duties, tariffs, fees, etc.) can be founded on an earlier 'manufacturer-to-middleman' arm's length price, which is typically lower than the 'middleman to importer's' price.
- FSFE can be leveraged for any products, in any industry, even where products are subject to additional tariffs such as Section 301 and Section 232 tariffs.

Ideas to consider

- Companies currently importing goods into the United States through a multi-tiered transaction structure should consider using the First Sale for Export valuation method to reduce duties/tariff impacts.
- Companies currently **not** importing goods into the United States through a multi-tiered transaction structure may wish to explore the feasibility to modify their supply chains to accommodate an FSFE structure.

What value can you realize?

- Reduce duty/tariff exposure, especially in cases where the middleman's non-product contributions are significant
- Decrease supply chain costs without sacrificing product quality or squeezing suppliers for pricing reductions
- Achieve duty/tariff mitigation without disturbing tax/transfer pricing characterizations of transactions and avoid TP adjustment reporting requirements.
- Obtain refunds on previous year's importations if those transactions satisfied FSFE requirements

FSFE Process Map

Entity 1

Purchase Order 2

First Sale (Invoice 1)

NewCo

Purchase Order 1

Second Sale (Invoice 2)

Entity 2

Ex-Factory Price: $80,000
Duty = $16,000*

20% Mark-up
20% Duty Rate

FOB Price: $100,000
Duty = $20,000

***Duty Savings = $4,000**

First Sale Value

FSFE Price generally includes:

- Raw Materials
- Labour
- Foreign manufacturer's margin
- Foreign manufacturer's overhead
- Other costs and expenses

***Second Sale Value* (Current Customs Value)**

Current Customs Value includes:

- First Sale Value plus:
  - Middleman Mark-up
  - Middleman Costs
- And possibly others:
  - E.g., Intellectual Property Rights

Key impact levers to reduce tariff exposure

Stockpile inventory

Supplier Negotiations – lock in costs

First Sale/ Country of Origin/ Free Trade Agreements

Alternative Valuation

Duty Drawback (5-year retro opp)

Tariff Classification/ Exclusions or Exemptions Free Trade Zones (FTZ)

Existing Supply Chain

Modified Supply Chain

Supplier/Customer Pricing and Negotiations

Trade Policy Consulting & Customer Messaging

Site selection

Product Flows/ Alternative materials

Supply Chain Footprint – change or diversify

03 Supply Chain Examples

Tariff Impact: Example 1 - what tariffs apply?

1: A steel article is manufactured in the US:

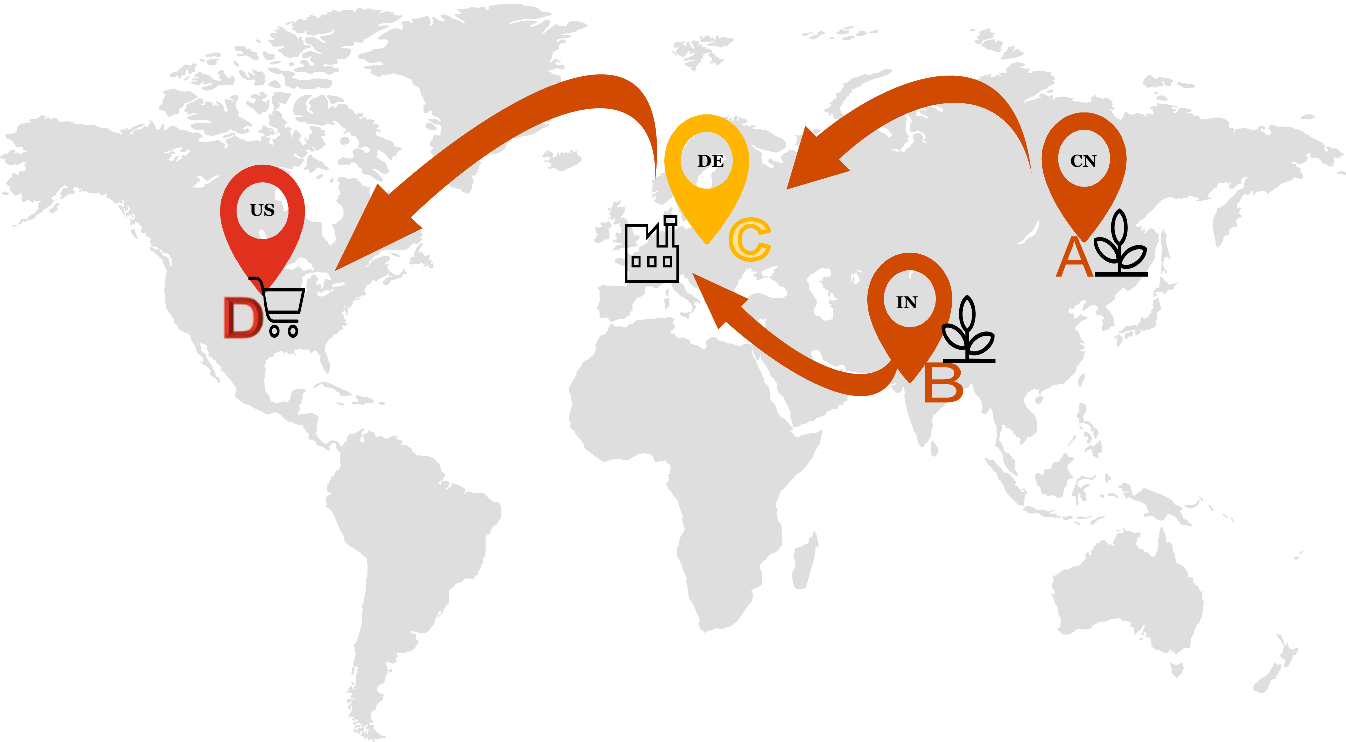
A. Finished article (steel) is manufactured in the US.
B. Finished article is sold to distributor in the EU
C. Sold to a customer in Canada.
D. Customer returns the article to the US following end of contract.

A. Country of Manufacture
B. Sold to Distributor in EU
C. Sold to Customer in Canada
D. Return to the US

Tariff Impact: Example B - what tariffs apply?

2: Protein bars are manufactured and sold to consumers in the US via retail outlets

A. Certain raw materials (whey, cocoa powder, sugar) is sourced from China
B. Other raw materials (palm oil, raising agents) is sourced from India
C. The materials are used to manufacture protein bars in Germany. Packaging is also performed in Germany
D. The finished products are exported to US retail shops, to be sold to consumers



KD0

04

Tax Policy

Slide 22

KD0 [@Peter Reilly (IE)] - Hi Peter, please see the following section for Tax Policy slides to be included for the Enterprise Ireland webinar tomorrow
Kathy Doyle (IE), 2025-04-07T14:24:39.452

0 0 Thanks, I actually don't plan to use slides so will just talk to this place holder
Peter Reilly (IE), 2025-04-07T14:43:24.393

KD0 1 Thanks Peter
Kathy Doyle (IE), 2025-04-07T15:15:23.625

05

What this means for businesses

What this means for EU businesses

01

Supply Chain Disruptions

- Broad tariffs on European goods could disrupt supply chains.
- This may lead to higher costs and delays.
- European companies might need new suppliers or logistics strategies.
- Tariff uncertainty could deter investment in cross-border infrastructure.

02

Market Shifts

- Higher tariffs on European exports could reduce their competitiveness in the US market.
- This may lead to a decline in market share for European companies.
- European businesses might need to explore new markets or strengthen existing ones.
- US companies might replace European imports with domestic alternatives, changing market dynamics.

03

Tariff Retaliation

- The EU is likely to respond to US tariffs with retaliatory measures on key American exports.
- This could lead to a broader trade conflict, affecting many industries in both the EU and the US.
- Resulting trade barriers could increase costs for businesses and consumers.
- Economic relations could be further strained.

04

Economic Uncertainty

- Unpredictable trade policies under a Trump administration could create economic uncertainty.
- This may deter investment and slow economic growth.
- Businesses could face challenges in long-term planning due to fluctuating trade regulations and potential retaliatory actions.
- Uncertainty could impact consumer confidence and spending patterns.

05

What does this mean in practice?

- Broad tariffs on European goods, such as a 25% tariff on cars, could disrupt supply chains, leading to higher costs and delays
- European companies might need new suppliers or logistics strategies, and tariff uncertainty could deter investment.
- Higher tariffs would reduce European exports' competitiveness, potentially decreasing their market share in the US.
- The EU might retaliate with tariffs on American exports, escalating trade conflicts and increasing costs for businesses and consumers.

Decisive actions to address Supply Chain uncertainties posed by tariffs

To navigate the impact of changing tariffs on supply chains, the following key actions can be taken:

0

Scenario Planning

Assess the impact of the tariffs to your business in the short, medium and long term. Scenario plan for a variety of outcomes.

1

Diversify supply chains

Explore alternative markets and diversify supply chain strategies to minimize risks associated with emerging trade tariffs

2

Redesign network strategies

Reevaluate and redesign supply chain networks to ensure greater control and visibility to adapt quickly to emerging trade barriers

3

Enhance operation efficiency

Improve operational efficiency and cost management to streamline operations and reduce costs

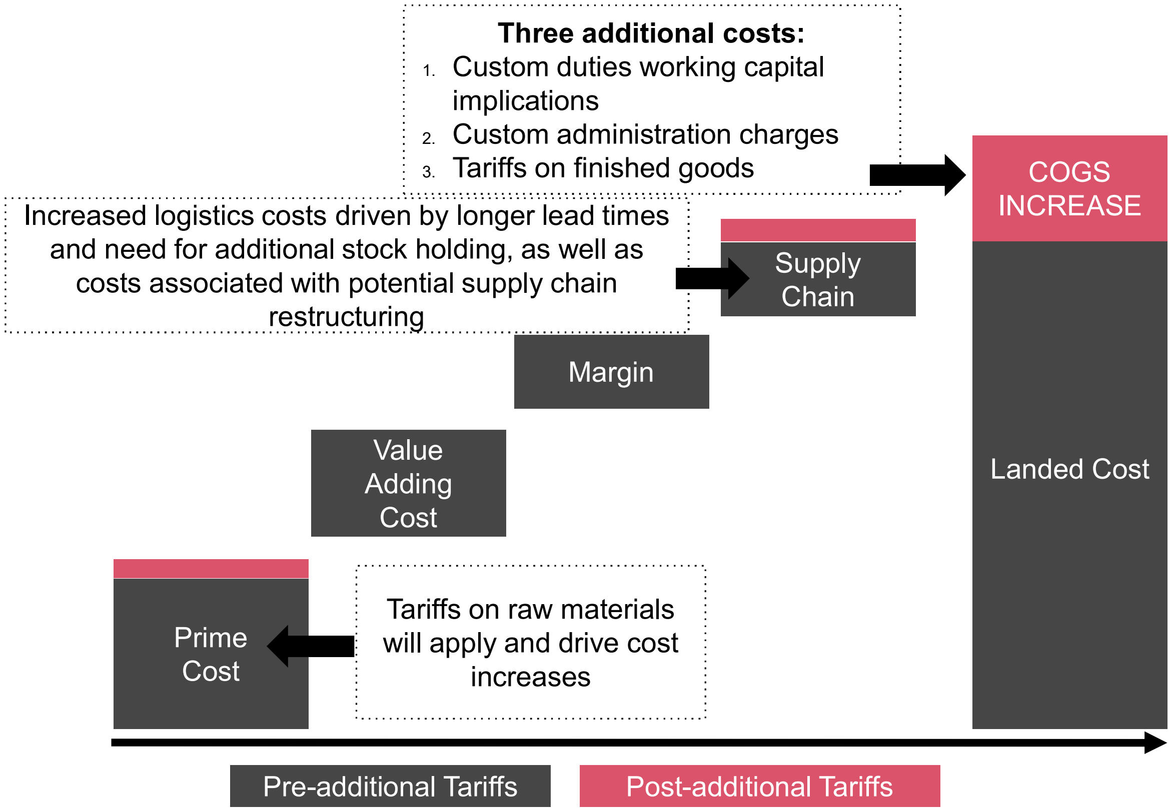
4

Invest in advanced technologies

Adopt innovative planning solutions and tools to increase supply chain visibility and predictive capabilities to anticipate challenges and respond proactively

Cost Inflation Impact

Tariffs are expected to add additional cost throughout all stages of the value chain.
Additional costs driven by imported raw materials and finished goods



The Challenge

The increase driven by the factors below:

- **Tariffs** will apply to both EU imports and exports with the US applicable to both raw materials and finished products
- **Supply chain** lead times will become longer driving logistics costs, and supply chain structures may need to be reconsidered
- **Price increases** will need to be absorbed within the business or passed on to the customer
- **Greatest impact will be on multinational suppliers** due to higher tariffs on finished goods.

Global Trade & Customs - Meet the team

John O'Loughlin
Partner
Leader
john.p.oloughlin@pwc.com

Paul Rodgers
Director
EI - Point of Contact
paul.rodgers@pwc.com

Mark Brennan
Director
mark.p.brennan@pwc.com

Nick Koolen
Director
nick.x.koolen@pwc.com

David Lusby
Senior Manager
david.lusby@pwc.com

Ben Twomey
Manager
ben.twomey@pwc.com

Kathy Doyle
Manager
kathy.doyle@pwc.com

Alicia Suarez
Manager
alicia.montserrat.x.suarez@pwc.com

Jonathan Burke
Manager
jonathan.x.burke@pwc.com

The PwC Global Trade and Customs Team is the largest customs advisory team in Ireland with 19 members from a variety of backgrounds. We provide a wide range of customs, excise and export control advisory services to importers and exporters who operate global supply chains. The team provides clients with practical, commercial advice to support their compliance with customs and trade requirements and to help them to minimise duties and other costs associated with cross border trade.

We support both domestic and multinational clients across multiple industries (including Agri-food, Pharmaceuticals & Medical Devices, Technology, Retail and Consumer Products, Industrial Manufacturing and Public Sector) and use our understanding of sector-specific issues to tailor our advice to client needs. The team itself prides itself on keeping up-to-date with customs and trade developments and on providing advice that is relevant, insightful and commercial.

Thank you

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