

Part 3 of a Tariff Multi-Series

Procurement Exchange: July 25, 2025



Today's Presenters



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UC Systemwide Procurement



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Tariff Education Series

Multi-session approach:

1) 2025 Global Tariffs: Pricing May 3 Impact & Mitigation Strategies

May 30, 2025

2) Vendor Partner Presentation – June 27, 2025 American Cargoservice (ACS)



3) Q&A with FRIENDS – based on questions

TODAY



Sessions Overview



1st Session – 2025 Global Tariffs

- Tariffs vs. Duties
- Examples of Tariffs are applied using Garlic
- Provided insight to HTS (Harmonized Tariff Schedule)
- Shared UC strategy and mitigation for Tariffs
- Tariff Webpage



2nd Session – Navigating Tariff Tides with Customs Broker ACS

- 39 submittals, \$163M in affected spend,
 UC impact = ~1% to affected spend
- ACS Freight Forwarding Services outlined
- Tariff status overview as of 6/27
- Florence Agreement outline



Take Aways - UC Current Strategy & Mitigation

- O Push Back on tariff increases, tariffs typically fall outside Force Majeure
- Request vendor justification for any increases. Negotiate
- **Confirm** tariff taxability
- Select proper tariff implementation:
 - Separate line item for quotes or invoices Example: Furniture or Flooring
 - Pricing added to SKU level items for Hosted Catalog Example: Grainger, ODP





Take Aways - UC Current Strategy & Mitigation

- **Leverage** existing tariff-exempt inventory
 - Identify current inventory that should be exempt from tariff fees.
 - Estimate depletion timeline to determine when tariff fees would begin to apply.
- Request sales report that includes a column for product origin
- Collaborate with partners to find lower-tariff sourcing options





Tariffs – Current Updates

Ellen Laramie

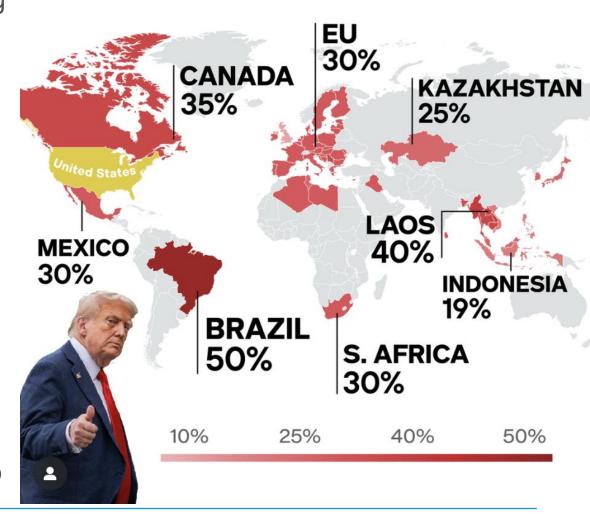
Vice President American Cargoservices, Inc.

Tariff Changes in July

- July 7 Trump issued Executive Order extending expiration of country-specific tariff rates until August 1, 2025. 10% 'baseline' tariff will continue to apply until then.
- July 12 Trump announced letters to both European Commission President Ursula von der Leyen and Mexico President Claudia Sheinbaum warning them his administration is prepared to impose 30% tariffs on U.S. imports from the EU and Mexico, as of August 1.
- July 10 Trump announced 35% tariff on Canada
- July 16 Trump announced 30% tariff on Mexico

New Trump's tariffs

Countries affected by the next wave of tariffs announced by Donald Trump in July 2025





Tariff Changes in July

- **July 14** Trump says Russia has a 50-day ultimatum to end its war with Ukraine or face the economic impact of secondary tariffs of 100% placed on its products. The secondary tariffs, if enacted, would apply to **all countries that purchase Russian products**. Details about what these tariffs would cover have not yet been given by the Trump Administration.
- **July 15** Office of the U.S. Trade Representative (USTR) initiated an investigation of Brazil under Section 301 of the 1974 Trade Act. USTR said the investigation will seek to determine whether acts, policies, and practices of the Government of Brazil related to digital trade and electronic payment services; unfair, preferential tariffs; anti-corruption interference; intellectual property protection; ethanol market access; and illegal deforestation are unreasonable or discriminatory and burden or restrict U.S. commerce.
- A letter to Brazil for a proposed 50% tariff.
- July 22 Trump announced 15% tariffs on Japan
- Trump announced up to 200% tariffs on pharmaceuticals.
- The Trump administration announced a 50% tariff on copper imports.



China Reciprocal Tax Adjustment – August 14, 2025

- China Reciprocal tax initially at 10% transitioned to 84% effective April 9, 2025
- On April 10, 2025, China Reciprocal tax was **increased to 125%** due to trade war response to matched retaliation tax on US exports by China.
- 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 in Annex II, by HTS designation.
- China rates reduced to 10% on May 14th for 90-day reduction period until August 14, 2025.
- It is *possible* this deadline could be pushed back. U.S. and Chinese officials will meet in Stockholm next week to discuss an extension to the deadline for negotiating a trade deal, U.S. Treasury Secretary Scott Bessent said on Tuesday
- Reciprocal Tariffs apply *in addition to* other duty and tariffs: Section 301 tariffs of 7.5 25%, Steel and Aluminum tariffs and other commodity-specific duties



Steel and Aluminum Derivatives

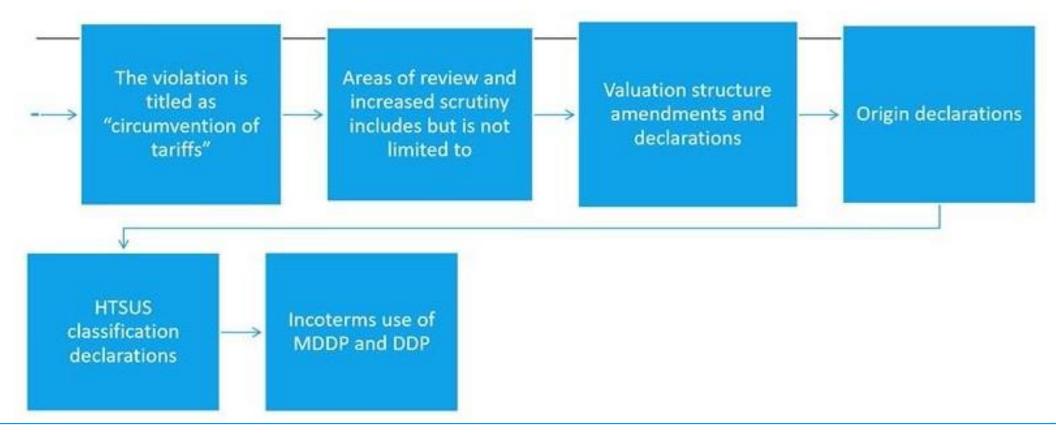
- Derivatives are identified by HTS listing provided by White House order.
- Steel and aluminum component values must be itemized on commercial invoices.
- Mill certificates are required to support country of material melt and pour.
- Failure to provide mill certificates can default to 200% tariffs under suspicion of Russian origin products.
- UK-produced steel remains at 25%
- No duty drawback is permitted on Steel and Aluminum 232 products





Customs Escalation of Trade Enforcement

• Customs & Border Protection (CPB) is aggressively conducting investigations of importers' activities and their related reaction to new tariffs that demonstrate an attempt to avoid payment of duties, taxes and new tariffs.





DDP Terms – Risks

- DDP = Delivery Duty Paid
- Changes to alternative terms of sale with adjustments to value declaration is a compliance risk without justification and defense.
- under DDP terms, the purchaser of the products is not protected from risk. If the supplier mis-declares the value or classification, the purchaser of the goods can be held responsible even if they are not the importer of record.



Delivery Duty Paid (DDP)

[di-'li-vər-ed 'dü-tē 'pād]

A delivery agreement whereby the seller asumes all of the responsibility, risk, and costs associated with transporting goods until the buyer receives or transfers them at the destination port.

Investopedia



Florence Agreement & ITA Forms

Brian Zatkow

Principal Subcontract Administrator Lawrence Berkeley National Laboratory



Harmonized Tariff Schedule

- Seller selects HTS code
 - 99 chapters
 - Over 1,200 Headings
 - Over 5,000 Subheadings
 - Approx. 19,000 Subheading and Suffixes

The first six numbers are universal:

"International Harmonized System (HS)"

The last four numbers are specific to the US:

"Harmonized Tariff Schedule of the United States (HTSUS)"

Definition & Example for U.S. HTS Codes

[hts code example]

0901.21.0010

What these numbers mean

09

Coffee, Tea, Mate And Spices

Chapter

0901

Coffee, Whether Or Not Roasted Or Decaffeinated; Coffee Husks And Skins; Coffee Substitutes Containing Coffee

Heading

0901.21

Coffee, Roasted, Not Decaffeinated

Sub Heading (HS code)

0901.21.00

No Distinction

Subheading (Determines Duty)

0901.21.0010

Coffee, Roasted, Not Decaffeinated, Certified Organic

Statistical Suffix

(Further Definition and Makeup)



Harmonized Tariff Schedule (cont'd)

Heading/ Subheading	Stat Suffix	Article Description	Unit of Quantity	RATES OF DUTY 1		
				1		2
				General	Special 6	_
0902		Tea, whether or not flavored:				
0902.10		Green tea (not fermented) in immediate packings of a content not exceeding 3 kg:				
0902.10.10		Flavored		6.4% 1/	Free (A, AU, BH, CL, CO, D, E, IL, JO, KR, MA, OM, P, PA, PE, S, SG) 3.2% (JP)	20%
	<u>15</u>	Certified organic	kg			
	<u>50</u>	Other	kg			

- HTS lookup tool is located at https://hts.usitc.gov/. Enter HTS code in the search field.
- Find subheading and look at Rates of Duty to find current duty amount. Pop-up note will point to Chapter 99 HTS code.
- Column 1 General is the duty for imports from countries with normal trade relations.
- Column 1 Special lists countries with preferential trade agreements. If point of origin is one of these countries, the special rate applies.
- Column 2 applies only to countries that do not have normal trade relations with the US (Cuba, North Korea, Russia, and Belarus, as of July 2025).



Florence Agreement & ITA-338P

The Florence Agreement Program

UNESCO experts meeting in Florence (It. Firenze), Italy in the early 1950sadopted the terms of an international agreement to promote international understanding and peace by lowering barriers to the exchange of cultural, scientific, and educational materials, most importantly by waiving tariffs on such materials. The agreement covers diverse categories: books and other printed materials, art and museum pieces, tourism materials, audiovisual materials, and the like. Annex D of the agreement covers scientific instruments and apparatus.

The United States became a full party to the agreement when it enacted implementing legislation in 1966. The legislation provides that Annex D scientific instruments may be entered free of duty into the United States only if the Secretary of Commerce first finds that a scientifically equivalent instrument is not being manufactured domestically. By delegation from the Secretary, the director of the Statutory Import Programs Staff is responsible for making and publishing the required findings.

Contact Information

Tyler O'Daniel

Eva Kim

Full Text of the Agreement

Agreement on the Importation of Educational, Scientific, and Cultural Materials, with Annexes A to E and Protocol annexed 1950.

FULL TEXT OF THE AGREEMENT ☐

Florence Agreement Regulations

The Agreement on the importation of Educational, Scientific and Cultural Materials (Florence Agreement; "the Agreement") is a multinational treaty, which seeks to further the cause of peace through the freer exchange of ideas and knowledge across national boundaries, primarily by eliminating tariffs on certain educational, scientific and cultural materials

THE AGREEMENT REGULATIONS

Application Form

The Request for Duty-Free Entry of Scientific Instrument or Apparatus is not an interactive form. It must be filled out, printed and mailed. Applicants must submit the completed signed original and four copies including supporting documents to:

U.S. Customs and Border Protection Attention: Entry Process and Duty Refunds Branch 90 K Street, NE, 10th Floor Washington, DC 20229

CLICK FOR THE APPLICATION FORM



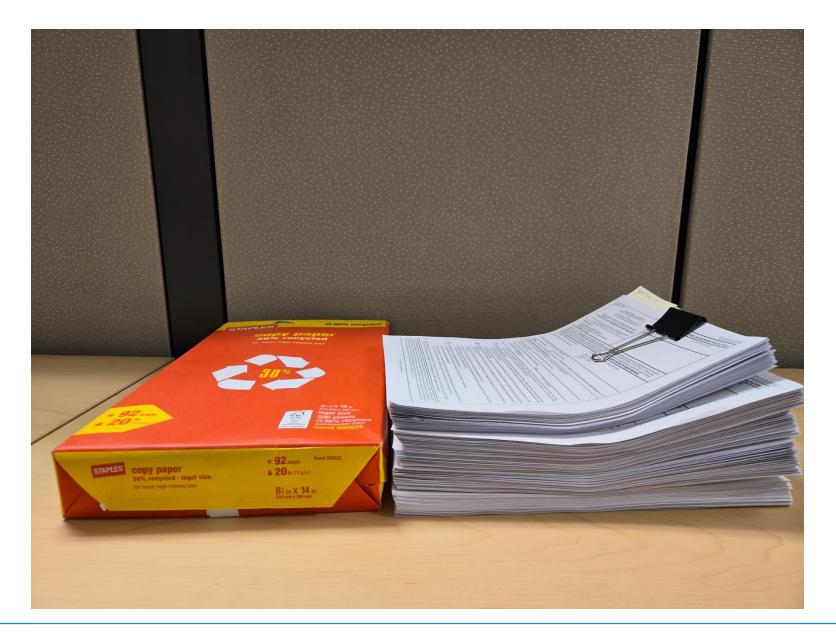
HTS to ITA-338P

- ITA-338P Validity Determination HTS Chapter 98, Subchapter X
 - Lists all HTS Chapters and Headings eligible for duty-free entry under the FA
- If instrument is eligible, then proceed to complete and submit the form to US Customs and Border Protection (CBP).
- If ITA-338P is approved, permission is granted to import under HTS code 9810.00.60:

9810.00.60	<u>00</u>	Instruments and apparatus, if no instrument or apparatus of equivalent scientific value for the purposes for which the instrument or apparatus is intended to be used is being manufactured in the United States (see U.S. note 6 to this subchapter)	No.	Free		Free
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- If your instrument has already been brokered through customs and duty has been paid, this
 approval will bring a refund.
- The entire process used to take around 9 months, and it is uncertain now, so plan your budgets accordingly.









Navigating Vendor Relationships

Examples of Systemwide and Local Negotiations







Furniture

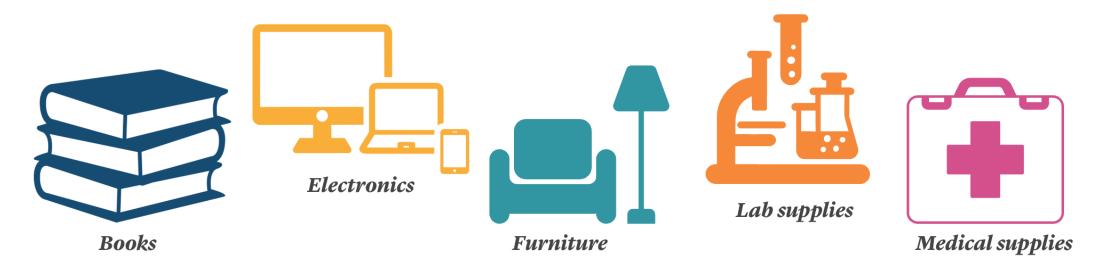
Life Sciences

Mattresses (UCSD)

- > UC suppliers, that due to our partnership, stated they would not propose any tariffs to the UC.
- Other organizations received 3% to 10% in these categories.



Examples of Systemwide and Local Negotiations



Other suppliers have proposed various % and we have successfully reduced many for UC Systemwide agreements.

TIP: If we have content in e-commerce platforms (hosted or punchout), we MUST be PROACTIVE.





Questions?

