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# Navigating Global Tariffs for Cross-Border e-Commerce

In times of uncertainty and constant change in global trade and logistics, **Trade Duty Refund** is your North Star.

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# About Us

**Trade Duty Refund specializes in simplifying the process of duty-free returns for businesses engaged in international trade.**

**Our mission is to simplify global trade for businesses by removing barriers and inefficiencies in duty management.**

## **WE EMPOWER CROSS-BORDER RETAILERS AND E-COMMERCE PLATFORMS.**

We offer innovative, compliant, and cost-effective solutions for duty-free returns. We are committed to building long-term partnerships that add value to your operations, helping you stay competitive in an ever-evolving global economy.

## **WHAT WE DO**

- Facilitate e-Commerce Clearance
- Duty Drawback by Default
- Returned Goods Relief
- Customs Expert Consulting



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# EXECUTIVE SUMMARY

In today's global economy, tariffs and trade duties have become increasingly complex and significant. Governments use them as tools for economic policy, but businesses experience them as fluctuating costs that can dramatically affect supply chains, pricing strategies, and profit margins. This guide is designed to help companies understand the intricacies of global tariffs and equip them with the knowledge to manage, reduce, and in some cases, recover trade duties.

## **Why this guide matters for businesses today:**

- The frequency and volatility of tariff changes have increased due to shifting global trade dynamics.
- Many companies are unaware of their eligibility for duty drawback or refund programs.
- Strategic tariff planning can yield significant financial benefits.

## **Key Takeaways:**

- An in-depth understanding of global tariff regimes.
- A roadmap for identifying tariff exposure and conducting risk assessments.
- Tactical advice for reclaiming duties and navigating customs complexities.
- Future-facing insights on trade policy trends and how to prepare.



# Introduction to Tariffs

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# Introduction to Tariffs

## Definitions and Types

### 01 | TYPES OF TARIFFS

#### **Ad valorem tariffs**

A percentage of the product's value.

#### **Specific tariffs**

A fixed charge per unit of goods.

#### **Compound tariffs**

A mix of ad valorem and specific tariffs.



Tariffs are taxes imposed by governments on imported or exported goods. Their primary purposes include protecting domestic industries, generating revenue, and influencing trade relationships.



While tariffs can shield local and small businesses from international competition, tariffs often lead to higher prices for consumers and provoke retaliatory measures from trading partners.

### 02 | HISTORY OF TARIFFS

Tariff systems date back centuries, from ancient customs checkpoints to the rise of colonial mercantilism. In the modern era, key moments include:

- **The Smoot-Hawley Tariff Act (1930):** Triggered a wave of retaliatory tariffs during the Great Depression.
- **General Agreement on Tariffs and Trade (GATT, 1947):** A precursor to multilateral trade cooperation.
- **World Trade Organization (WTO, 1995):** Established enforceable trade rules to reduce tariffs globally.



# Pros and Cons of Global Tariffs

## Advantages of Global Tariffs

### ✓ PROTECT DOMESTIC INDUSTRIES

By making imported goods more expensive, tariffs can shield local industries from foreign competition, potentially preserving jobs and encouraging domestic production.

### ✓ GENERATE GOVERNMENT REVENUE

Tariffs serve as a source of income for governments, which can be used to fund public services.

### ✓ ADDRESS TRADE IMBALANCES

By discouraging imports, tariffs can help reduce trade deficits, aiming to balance the amount a country imports versus what it exports.

## Disadvantages of Global Tariffs

### ✗ HIGHER CONSUMER PRICES

Tariffs often lead to increased costs for imported goods, which can be passed on to consumers, resulting in higher prices for everyday items.

### ✗ RISK OF RETALIATION

Other countries may impose their own tariffs in response, potentially leading to trade wars that can hurt exporters and escalate economic tensions.

### ✗ UNCERTAINTY FOR BUSINESSES

Frequent changes in tariff policies can create an unpredictable business environment, making it challenging for companies to plan for the future.





**THE TOTAL VALUE OF INTERNATIONAL TRADE IN GOODS AMOUNTED TO \$31 TRILLION USD IN 2023, A MODERATE DECLINE DUE TO DECREASED DEMAND.**

**IN 2024, THE TOTAL GOODS TRADE BETWEEN THE U.S. AND CHINA AMOUNTED TO \$582 BILLION. APPROXIMATELY 2 MILLION PACKAGES ENTER THE U.S. EVERYDAY FROM CHINA, A SIGNIFICANT PORTION IN THE “LOW VALUE THRESHOLD” UNDER \$800 USD.**



**THE EU IS A SIGNIFICANT GLOBAL TRADING PARTNER, WITH THE U.S. ACCOUNTING FOR 19.7% OF ITS EXPORT MARKET. THE EU HAS A LOW VALUE THRESHOLD OF €150 EUR FOR TAX EXEMPTION.**





# 2 Global Tariff Landscape

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# What are the major tariff regimes?

## WHO LEADS GLOBAL TRADE?

### United States

Uses the Harmonized Tariff Schedule (HTSUS). Tariff changes often reflect political or economic concerns (e.g., Section 301 tariffs on China).

### European Union

Employs the Combined Nomenclature (CN) system and Common External Tariff, balancing uniformity with trade policy exceptions.

### China

Applies its Customs Import and Export Tariff Schedule, with frequent updates tied to industrial policy.

### United Kingdom

Now follows its UK Global Tariff (UKGT) post-Brexit, diverging from the EU system.

The Harmonized Tariff Schedule (HTS) is the official system used by the United States to classify imported goods and determine applicable tariffs. It is based on the international Harmonized System (HS), a standardized nomenclature developed by the WTO to facilitate global trade.

The HTS organizes goods into a hierarchical framework, starting with broad categories and narrowing down to specific products. Each product is assigned a 10-digit code: the first six digits align with the international HS, while the last four are specific to U.S.



**China is the global leader in e-commerce trade with online retail sales of \$2.17 trillion and 11% YoY increase.**



# Latest Tariff Updates

## Q1 2025



### U.S. Eliminates De Minimis Exemption for Chinese Goods

Effective May 2, 2025, the U.S. terminated the de minimis rule for packages under \$800 USD. Now they face duties of 120% or a flat fee of \$100, increasing to \$200 after June 1.



### EU Launches Unified Customs Data Platform

In March, the EU launched its new centralized EU Customs Data Environment, aiming to harmonize digital customs procedures across all member states by 2028.



### U.S. Imposes Additional Tariffs on Chinese Imports

In early 2025, the U.S. implemented an additional 10% tariff on all Chinese goods, affecting a wide range of consumer products including electronics, clothing, and toys.



### Canada Imposes 25% Tariffs on U.S. Consumer Goods

Canada announced an 25% tariff on approximately \$20 billion worth of U.S. goods, with an additional 25% tariff on another \$86 billion worth of in March.



### e-Commerce Platforms Hit Hard by Tariff Reforms

Since January, e-commerce platforms have faced tariff penalties due to regulatory overhauls. The EU is expanding VAT collection and cracking down on customs undervaluation.



### Cross-border Retail Returns Face Tariff Scrutiny

Since early 2025, countries including the U.S., EU and UK have introduced stricter rules requiring full customs declaration and payment of applicable duties.





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# Economic Impact of Tariffs

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IN 2023, THE U.S.  
COLLECTED  
APPROXIMATELY **\$92.3  
BILLION** IN DUTIES. IN  
APRIL 2025 ALONE,  
CUSTOMS DUTIES  
AMOUNTED TO \$15  
BILLION.

THAT BEING SAID, THE  
U.S. DISBURSES  
AROUND **\$1 BILLION**  
ANNUALLY THROUGH  
DUTY DRAWBACK.

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# Multifaceted Effects of Tariffs on the Economy



## Higher Consumer Prices



Tariffs often lead to increased costs which businesses pass on to consumers. The 2025 tariffs resulted in a short-term 2.9% increase in consumer prices.

## Reduced Trade Volumes and Economic Growth



Tariffs can dampen trade activity and economic expansion. Studies project that the 2025 tariffs will reduce long-run U.S. GDP by 6%. Retaliatory tariffs affect \$330 billion of U.S. exports.

## Disruption of Global Supply Chains



Tariffs disrupt supply chains by introducing unpredictability in demand forecasting and inventory planning. Companies may need to adjust sourcing strategies, shift production locations or renegotiate contracts.

## Impact on Domestic Industries



While tariffs aim to protect domestic industries, they can also lead to increased production costs. The U.S. automotive industry faces an estimated additional cost of \$108 billion in 2025 due to tariffs on imported car parts.



# [Case Study]

## Global e-Commerce

### Retailer faces new tariffs

EasyRetail\* is a cross-border e-commerce business that sells a variety of consumer products like clothing, accessories, home decor and more. The company relies heavily on products made in China.



## Challenge

The company has private label products, as well as logistics, warehousing and fulfillment operations dependent on Chinese suppliers, where tariffs start at 10%.

Due to recent tariffs set at 45% (and fluctuating) and the elimination of de minimis in the U.S., EasyRetail is facing increased product costs, pricing strategy shifts and supply chain diversification as it looks for new logistics sources. The company is also searching for duty drawback programs.

## Economic and Logistical Impact



### Profit Margins

Higher product costs have lead to 20-30% margin reduction due to tariff-related costs. Lower margin products were delisted.



### Diversified Sourcing

The company broadened sourcing to include other Asian and Eastern European countries.



### Duty Drawback

With the elimination of the \$800 de minimis in the U.S., EasyRetail needs a duty drawback plan and Returned Goods Relief for goods just transiting through the U.S.

While EasyRetail passed some of costs on to consumers, this was met with a decrease in demand. However, the company can take advantage of duty drawback programs to claim back up to 99%, or even 100% in some cases, of duties paid.

# Economic Impact Risk Assessment



## Cost of Goods Sold (COGS)

Tariffs increase the import cost of raw materials and components which can result in reduced gross margins unless costs are passed on.



## Price Elasticity

Higher retail prices due to tariffs can reduce customer demand which can lead to loss of market share to local or untariffed competitors.



## Supply Chain Disruption

Tariffs may force rapid changes in sourcing, logistics or manufacturing which can lead to increased lead times and operational inefficiencies.



## Regulatory Complexities

Navigating new customs procedures and classification can be timely and costly and increase legal and administrative costs.



## Cash Flow Volatility

Tariff prepayments and delayed duty refunds can strain liquidity and increase working capital needs.



## Market Positioning

Tariff regimes may make entry or expansion into key global markets economically unfeasible and delay international growth.







**GLOBAL TARIFFS ARE EXPECTED TO INCREASE OPERATIONAL COSTS FOR E-COMMERCE COMPANIES.**

**ECONOMISTS PROJECT THAT THESE TARIFFS COULD RAISE U.S. PRICES BY 2.3% WITH THE AVERAGE HOUSEHOLD LOSING \$3,800 USD.**

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# Scenario Planning and Strategies for Risk Mitigation

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# Duty Drawback Programs

Duty Drawback is a customs program that allows companies to recover duties, taxes, or fees paid on imported goods if those goods are later exported or destroyed. This applies to raw materials used in exported goods and re-exported merchandise in the same condition.



## Risk Mitigation

In today's climate of shifting trade policies and escalating tariffs, businesses exposed to high import duties face rising costs. Duty drawback offers a financial buffer—especially for global supply chains with re-export components.

Rather than absorbing tariffs as sunk costs, you can turn them into recoverable cash flow, improving margin flexibility and cost control.

**In many cases, retailers can claim back up to 100% of duties paid.**

## Economic and Logistical Impact



### Profit Margins

Import duties can be significant on some items. Duty drawback can return a large portion of that, unlocking working capital.



### Offset Volatility

Duty drawback offers a hedge against protectionist policies by creating a financial cushion for globally integrated operations.



### Compliance

To qualify, you need accurate tracking of import/export flows, which leads to lower audit risk, better data-driven decisions, and increased customs trust.

## Duty Free Returns

Duty-Free Returns (also known as Returned Goods Relief) is a customs provision that allows businesses to re-import goods without repaying the duties or taxes that were originally assessed during the first import—if the goods are returned in the same condition. To qualify, the goods must usually be unaltered and not processed further, returned within a set time period (e.g. 1–3 years, varies by country), and documented properly with original export records

### Risk Mitigation

With global e-commerce growing 10–15% annually, cross-border returns are rising too—especially in fashion, electronics, and luxury goods.



Tariffs and duties can eat up margins when returns are not efficiently handled. Duty-free returns protect your bottom line by eliminating double taxation: you avoid paying duties twice (once on the outbound sale, again on the return).

## Economic and Logistical Impact



### Profit Margins

Returns are a fact of life in retail—but without duty-free relief, each return becomes a margin killer. This mechanism allows companies to avoid double duties.



### Customer Experience

High return costs = bad customer experience or limited return options. By reducing backend costs, businesses can confidently offer free or low-cost international returns



### Operational Efficiency

Duty-free returns allow businesses to recover and reintegrate returned goods into inventory quickly, without the burden of paying duties again.





## Expert Customs Consultancy

Expert customs consultants and brokers provide a specialized service that helps businesses navigate the complex rules, regulations, and procedures involved in importing and exporting goods across international borders. It's essential for companies that want to optimize trade operations, reduce risk, and minimize customs duties and delays. It includes:

- Customs Compliance and Risk Management
- Tariff Classifications & HS Codes
- Customs Valuation
- Tariff Engineering
- Refund Valuations and Drawback
- Import/Export documentation
- Negotiations with Trade Authorities
- Training and Process Improvement



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## Risk Mitigation

Expert customs consultancy helps mitigate risk against global tariffs by proactively identifying, managing, and reducing the financial and operational impact of tariff-related issues.

## Economic and Logistical Impact



### Strategic Tariff Planning

Consultants often identify lower-duty alternatives or favorable tariff interpretations within legal bounds.



### Ensuring Compliance

Customs consultants ensure full compliance with regulatory changes, helping avoid audits, penalties, and retroactive duty charges.



### Duty Minimization and/or Recovery

Experts find legal ways to defer, reduce, or recover duties including Duty Drawback programs and import/export processing relief



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# Final Thoughts from TDR

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As the new wave of Section 301 tariffs takes effect in 2025, it is becoming clear that we may not see a simple repeat of the trade shifts witnessed during the initial rollout of the so-called "Trump Tariff" era. While the 2018 measures prompted companies to reconfigure supply chains—moving production from China to alternative hubs like Vietnam, India, and Mexico—the current situation appears to be unfolding with a different dynamic.

The scope and severity of this year's tariff changes are unprecedented. Not only are all Chinese goods now subject to an additional 20% duty, but the removal of de minimis exemptions effectively closes a key loophole many importers once relied on. This broader and deeper tariff structure signals a more systemic shift in U.S.–China trade relations. Interestingly, early indicators suggest that unlike in 2018—when much of the increased cost burden was absorbed by suppliers—this time, U.S. consumers may bear a more significant portion of the cost. The recent uptick in prices of low-cost Chinese goods supports this trend, hinting that the tariffs could quickly ripple through to the retail level.

Moreover, the impact may not stop at prices alone. Trade volume itself is poised to decline sharply. The Port of Los Angeles, where nearly half of all incoming goods originate from China, anticipates a drop of up to 35% in volume. This kind of contraction suggests that beyond mere rerouting of supply chains, we may be entering a phase of genuine decoupling in U.S.–China trade.

In sum, while echoes of 2018 remain, the scale, structure, and economic consequences of the 2025 tariffs indicate a more profound disruption. The global trade landscape is shifting once again—but this time, the rules and repercussions may be entirely different.



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