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## Responding to Trump tariffs with a compliance program

Lori Fox, vice president, customs brokerage services, American Global Logistics | Jul 16, 2018 4:59PM EDT

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For US importers, 2018 has brought a rollercoaster of regulations – and that wild ride shows no signs of slowing down.

In June, President Trump officially announced that the U.S. would impose tariffs on more than 1,100 Chinese exports, affecting importers of everything from flat-screen TVs and medical devices to aircraft parts and batteries. The tariffs impact \$50 billion in goods, representing [nearly 7 percent of U.S.-China container trade](https://www.joc.com/regulation-policy/trade-policy/united-states-trade-policy/tariffs-threaten-nearly-7-percent-china-us-container-trade-20180405.html) (<https://www.joc.com/regulation-policy/trade-policy/united-states-trade-policy/tariffs-threaten-nearly-7-percent-china-us-container-trade-20180405.html>) and 2.5 percent of total U.S. container volume. A 25 percent tariff on 800 of the items takes effect in July, while [a second phase](https://ustr.gov/sites/default/files/enforcement/301Investigations/List%202.pdf) (<https://ustr.gov/sites/default/files/enforcement/301Investigations/List%202.pdf>) of tariffs will be announced at a later date. With retailers rushing to get merchandise in hand before these tariffs kick in, [containerized import volume for the first half of 2018](https://nrf.com/media/press-releases/retail-imports-hit-record-numbers-this-summer-despite-tariff-debate) (<https://nrf.com/media/press-releases/retail-imports-hit-record-numbers-this-summer-despite-tariff-debate>) is expected to rise 3.8 percent year-over-year.

Meanwhile, many importers are still waiting to see how hefty steel and aluminum tariffs announced earlier this year will impact their bottom lines. While businesses filed more than [20,000 tariff exemption requests](https://www.nytimes.com/2018/06/22/us/politics/trump-tariff-waivers.html) (<https://www.nytimes.com/2018/06/22/us/politics/trump-tariff-waivers.html>) through the end of June, the US government has only processed [98 of those requests](https://www.commerce.gov/news/press-releases/2018/06/department-commerce-grants-first-product-exclusion-requests-section-232) (<https://www.commerce.gov/news/press-releases/2018/06/department-commerce-grants-first-product-exclusion-requests-section-232>), with just 42 of them being approved. US Customs and Border Protection (CBP) is also increasingly scrutinizing imports as global trade tensions brew, meaning businesses must be hyper-vigilant about every shipment.

Amid this uncertain political and regulatory environment, businesses are rightfully concerned about the potential impact of increased tariff rates on their supply chains. The U.S. government processes [more](https://www.cbp.gov/sites/default/files/assets/documents/2018-Mar/cbp-snapshot-20180320.pdf) (<https://www.cbp.gov/sites/default/files/assets/documents/2018-Mar/cbp-snapshot-20180320.pdf>) than \$6.5 billion in imported goods daily, making many organizations vulnerable to the steady stream of evolving regulations. Importers not only have to consider the economic impact of tariffs, but also the time and resources required to decipher and comply with the latest changes. Those who are unprepared face potential delays, penalties and fines, compromising their competitiveness. In 2016 alone, CBP collected [\\$57 million in penalties](https://www.cbp.gov/sites/default/files/assets/documents/2017-Mar/FY-2016-CBP-PAR-508C.pdf) (<https://www.cbp.gov/sites/default/files/assets/documents/2017-Mar/FY-2016-CBP-PAR-508C.pdf>), a 10 percent increase from the previous year.

### Compliance meets efficiency

How can you keep your own supply chain running smoothly in a constantly changing customs environment? While recent advancements like the Automated Commercial Environment (ACE) are designed to help companies improve efficiency, the customs process remains notoriously difficult and time-consuming to navigate. An ongoing drumbeat of regulatory changes is complicating matters further, making a strong customs compliance program a must-have for today's importers.

By coupling a technology-driven supply chain with customs brokerage expertise, businesses can better prepare themselves to manage the regulatory rollercoaster, reduce the potential for errors and penalties, and minimize strain on their internal resources. Whether your business has a full in-house brokerage team or is just establishing a customs program, these strategies can help you stay on the right side of customs compliance.

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- **Centralize your customs data.** With more than 1,100 products subject to new tariffs, businesses need to work quickly to determine which of their goods are affected and find alternatives if needed. By establishing a single technology platform for all supply chain data, organizations can pull historical reports with a few clicks to review harmonized tariff classifications and ensure compliance.
- **Vet your vendors.** Customs compliance isn't just about your organization, but all the companies you do business with, too. The US government ultimately holds importers accountable for their goods, so another vendor's actions could result in fines and penalties. A technology platform that captures data on all vendors allows you to review documentation and classify item masters from a single location, making it simpler to stay compliant.
- **Stay ahead of regulations.** Keeping current on import regulations can be a full-time job, particularly for sensitive goods that are subject to review by multiple agencies. A supply chain partner with specialized customs expertise can help ensure compliance and keep your goods moving freely. For example, when one tire manufacturer received a CBP notice that its goods were subject to anti-dumping duties, the company worked with its provider to prove that the tariff didn't apply in its case, saving the manufacturer from significant expense.
- **Audit, audit, audit.** As the US government cracks down on imports, a simple typo could result in delays and/or fines. Following strict auditing processes can help minimize the risk of errors as well as time spent on post summary corrections and petitions. For one furniture retailer, working with its supply chain partner to improve auditing helped to slash its error rate from 7 percent to 0.5 percent while freeing up additional time for its team.
- **Get C-TPAT certification.** The Customs-Trade Partnership Against Terrorism (C-TPAT) aims to improve security for goods entering the United States. While achieving C-TPAT certification requires an upfront time investment, it can yield big efficiency benefits for importers. A supply chain partner can manage the necessary legwork, such as performing on-site analysis and training overseas factory workers, to help your business receive a higher level of C-TPAT certification. Taking that additional step not only improves your cargo security, but can help reduce cargo exams and other delays.

When it comes to the future of tariffs and other regulations, the only certainty is continued uncertainty. By building a solid customs compliance program, businesses can work proactively to minimize risk, streamline operations, and ensure their goods make it across the border.

*Lori Fox, vice president, customs brokerage services, American Global Logistics*

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