

BPE Global Hot Topic— November 2024

It's Tarriff Training Camp Season



When I was playing competitive sports, my coach would always remind us about three key factors that directly attribute to success on game-day: First, stay physically rested and ready. Second, you're only as strong as your team. Finally, train the plays and run the plays.

Since the election results, the non-stop "what should my company do?" and "what's in the crystal ball" questions have really brought me back to my coach's trifecta. First, get your company in shape. Second, build your team. Finally, develop the playbook and train the plays. It's Tariff Training Camp time; buckle up!

To get your company in shape:

- **Test Your Tariff Codes:** The best preparation for tariff changes is to ensure you have the right tariff classification in the first place! Tariff codes are at the root of the whole play. They not only determine your "normal" duty rate, but they are the enforcement mechanism used by both the import and export regulatory lawmakers (e.g. Section 301 and multiple enforcement actions against Russia's invasion of Ukraine). Document your rationale on selecting the code (due diligence!). For operational bonus points, consolidate everything in a matrix that can easily be referenced and shared if (when) any tariff code changes are announced.
- **Country of Origin Determination:** Building your puzzle in Spain, from a box of puzzle pieces made in China, does not, in fact, make your puzzle from Spain! Know the rules of substantial transformation. Document the country of origin of your product. If you're not comfortable making this call, bring in folks that do. As with all things compliance, document the rationale.
- **Stay informed:** Who is responsible for keeping tabs on league rules and regulations? Where is the information coming from? Fox News and CNN won't cut it. Be involved in trade organizations, subscribe to as many trade compliance legal and service provider newsletters as you can.

To build your team:

- **Internal:** If you don't have an Export Compliance Officer, appoint a Team Captain. Identify other teammates who will have a stake in any matter when it starts to spin. Establish bi-weekly meetings with In-house counsel, finance, supply chain, operations to facilitate communication flows and develop the plays.
- **External:** Who is your customs broker? Do you have more than one? It may be time to re-think that. Your customs brokers are at the front-line of duty determination of your items. Does your customs broker have solid systems that will immediately flag any

changes in tariffs? What is their notification process? Do they have technology to easily run your data against any large tariff updates? How did they handle the Section 301 exclusions, expirations, renewals, etc? Make sure to develop (or update) your Broker Standard Operating Procedure to ensure that you have the right broker to support your organization.

To build your playbook:

- Scenario Planning: In your bi-weekly meetings, flush out scenarios and meet with your internal/external team members to discuss the play. For example, if you were to re-shore manufacturing, would the country of origin actually “substantially transform”? Logistically, if goods are on the water and tariffs are imposed, what’s the company’s position? Should you consider return to origin? What is your budget to clear at higher tariffs? What about if the tariffs go into effect as the goods are about to hit the water? Map these scenarios out (a simple excel spreadsheet works well). Get stakeholder input.
- Communications Plan: How will your team captain communicate to internal and external stake-holders when changes go into effect?

As you enter this Tariff Training Camp, we know the new administration will usher a new era of U.S. trade policy characterized by increased protectionism and regulatory complexity. Companies aren’t training for the Superbowl, we’re prepping for a marathon. Invest in alignment now, so you are positioned for victory in our future competitive landscape of international trade.

As always, BPE Global is in your corner and is happy to assist in any capacity. We’ve been running these types of plays for 20+ years. You can find us on [LinkedIn](#) where we publish topical opinions on the ever-changing rules and regulations governing the landscape of global trade. Gabrielle Griffith is a Director of BPE Global. You can reach Gabrielle by email at ggriffith@bpeglobal.com.