April 2025

BRIEFING

Update on new tariffs & rules of origin

EU tariffs on the US:

On April 10, 2025, a statement from President von der Leyen was released, stating, "while finalising the adoption of the EU countermeasures [to US tariffs on EU] that saw strong support from our Member States, we will put them on hold for 90 days. If negotiations are not satisfactory, our countermeasures will kick in." The EU has now aligned itself with the U.S. 90-day tariff reduction window, using this pause to encourage negotiations and avoid a tariff war escalation.

As of April 9, 2025, the European Union Member States voted in favour of the European Commission's proposal to introduce trade countermeasures against the United States. The Commission's proposal was made in response to the March decision by the US to impose tariffs on imports of steel and aluminium from the EU. The duties were based on a two-step approach:

First, the Commission will allow the suspension of existing 2018 and 2020 countermeasures against the US to lapse on April 1, 2025. These countermeasures target a range of US products.
Second, in response to new US tariffs affecting more than €18 billion of EU exports, the Commission proposed a package of new countermeasures on US exports. Duties would have been collected on April 15, 2025, **but were paused via the April 10, 2025** statement from President von der Leyen.

Regulation 2025/778 had introduced phased EU tariffs starting 16 May. **Regulation 2025/786** cancels that timeline for now

US tariffs on China:

On April 10, 2025, the U.S. Customs and Border Protection released guidance on changes made to the previously announced tariffs, stating that imports from China, Hong Kong and Macau would immediately have an additional 125% ad valorem duty applied, on top of the existing 20%. Certain goods (see here) may be exempt.

On 11 April A notice from the US Customs and Border Protection exempted electronic products from the 145% tariffs on Chinese goods. Measured by value this is a significant exemption, however measured by container volume this exemption is not a very large share of the goods moved, accounting for roughly 5% of total US imports by container volume from China. The exemption is retroactive to the original implementation date of the reciprocal tariffs. Commerce Secretary Howard Lutnick noted on 13 April that this exemption is only a temporary reprieve and that electronic will face separate levies, adding more confusion.

Chinese tariffs on the US:

On April 11, 2025, China's Customs Tariff Commission of the State Council announced an adjustment to tariff measures on imports originating from the United States from 84% to 125%, with effect from April 12, 2025.

The People's Republic of China announced that April 10, 2025, from 12:01 CST, it will begin implementation of additional tariff measures on imported goods originating in the United States. Additional tariff rate stipulated in the earlier announced tariff, [Tariff Commission Announcement [2025] No. 4], will be adjusted from [34% to 84%].

Implications for European Freight Forwarders and Traders

Rules of Origin

With these measures now in place, particularly those targeting China, accurately determining the origin of imported goods has become more important than ever. Rules of origin play a central role in applying tariffs and sanctions, and their relevance may increase further if more nuanced tariffs are introduced in future. There are two primary types of origin: **preferential** and **non-preferential**.

1. **Preferential origin** applies when a trade agreement exists between the exporting and importing countries, allowing goods to benefit from reduced tariffs. For example, the EU–Canada agreement (CETA) provides such benefits. However, the United States has not entered into such agreements with either the EU or China. As a result, preferential origin is largely irrelevant in the context of the new U.S. tariffs.
2. In most cases, **non-preferential origin is the determining factor** for applying duties, sanctions, or other trade measures. The United States Customs and Border Protection (CBP) uses non-preferential origin rules to determine whether goods fall under the new tariffs, including those targeting the EU and China.

Unlike tariff classification (standardised up to the sixth digit under the Harmonised System) and customs valuation (coordinated by the WTO), the rules for determining a product's origin are not globally harmonised. Efforts by the World Customs Organization (WCO) to standardise these rules began in 1995 but remain incomplete. As a result, a product may be considered as originating from different countries depending on whether it's entering the EU or the US potentially leading to unexpected customs costs.

The US determines the origin of an imported product is determined by the last substantial transformation it underwent. According to the CBP, this means that a product must acquire a new name, character, or use distinct from its original form. Mere cosmetic changes or final assembly that does not significantly alter a product's essential character are typically not sufficient to establish a new origin. For instance, if a forged metal tool is manufactured in China but polished and assembled in the Netherlands, it may still be considered Chinese in origin. A US court supported this interpretation, ruling that the essential component—the forged part—was not fundamentally changed by further processing. CBP considers several factors when evaluating substantial transformation, including:

- The nature of the production processes
- Value added in different stages
- The function and essential character of the components and final product
- Marketing and intended use

Certificates of origin issued by Chambers of Commerce carry little weight in the United States. They do not consider the CBP's strict interpretation of non-preferential origin. Importers in the U.S. are ultimately responsible for ensuring the correct origin is declared and cannot rely solely on foreign-issued certificates.

For EU traders, understanding the complexities of U.S. rules of origin is essential - especially when dealing with high-stakes trade actions or sanctions. In view of this forwarders and customs agents should:

- encourage clients to **revisit sourcing and production footprints** where heavy reliance on China-origin goods is involved.
- Update **tariff classifications and customs valuation** to ensure compliance and optimize cost exposure.
- Monitor shipment routing for **possible rerouting through lower-risk jurisdictions**, though transshipment from affected regions will not avoid the new duties.
- Prepare for **customer inquiries and uncertainty** surrounding supply chain impacts and cost forecasting.

Impacts on container shipping

- According to Drewry**, rates are expected to continue rising over the coming weeks** as a result of various import tariffs and capacity reductions. Following Trump's announcement of a 90-day postponement for implementing the highest import tariffs, traders might use this interval until summer to accelerate shipments. Lars Jensen also noted on LinkedIn to expect quite a surge of cargo from non-Chinese locations as importers will try to move as much product as possible before the new deadline of July 9th. Having some services omit Chinese ports will therefore work well, as this reduces capacity in China where bookings are dropping whilst increasing capacity in other locations where a surge is expected. This sudden non-Chinese surge has the potential to cause **equipment shortages**, as the repositioning of empty containers have not.

- This anticipation of potential escalation in the trade war by summer could lead to increased pressure on container services and **further elevate container rates** in the coming weeks and months. However, should tariffs ultimately lead to decreased trade and reduced container shipping volumes, carriers may need to accept lower prices in the longer run. Singapore-based consultancy Linerlytica forecasts a global container volume decrease of 1.1% this year, driven by concerns over the trade war.

- At the same time, Jensen highlights the significant number of 'blank sailings' services temporarily removed from operation—on China-US routes. Such drastic adjustments could also ripple through container shipping from other Asian ports. The precise impacts remain uncertain: blank sailings could either result in fewer ships calling at other Asian ports or, conversely, increase activity at these ports as shipping lines seek alternatives to Chinese ports.