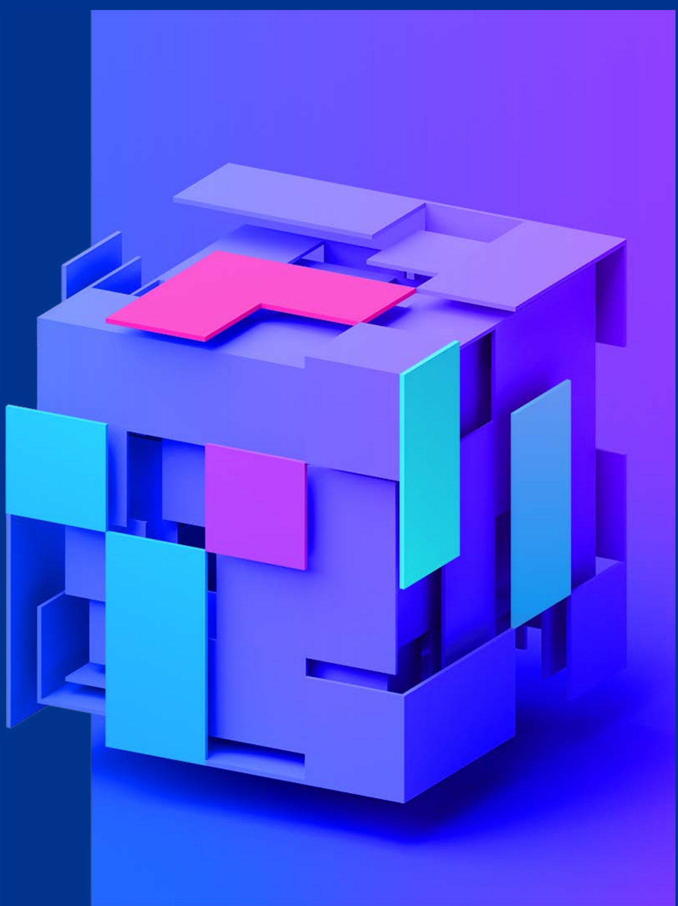
# The impact of tariffs under the US administration for the Middle East

**What should your company prepare for?**



KPMG Middle East

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**May 2025**

# Foreword

Since the new government took office on 20 January 2025, there have been several Executives Orders issued aiming to correct the trade deficit with the United States of America (hereinafter "the US") with trading partner countries around the globe. Most such measures have been in the form of tariffs, which are essentially ad-valorem rates (e.g. customs duty rates) applicable on goods imported for domestic consumption in the US local market.

The tariff measures implemented by the Trump administration rely on certain Trade Acts enacted several decades ago which were dusted off to be used for specific situations, countries, and goods.

The main tariff measures recently implemented by the Trump Administration that may affect the Middle East Countries are as the following:

- **Section 232 tariffs:** These are based on the Section 232 of the Trade Expansion Act of 1962 and enables the President of the US to impose tariffs on imports if they threaten the "national security" of the US.
- **The International Emergency Economic Powers Act (IEEPA):** This was enacted in 1977 and confers on the President of the US broad authority to regulate international commerce during a deemed "national emergency" due to any unusual or extraordinary threat to the US.

Companies operating in the Middle East which are engaged in cross-border transactions with Companies located the US may be affected by Section 232 tariffs and IEEPA tariffs recently implemented by the Trump Administration.

The situation is changing regularly and therefore it is important for companies to stay up-to-date and reevaluate the impact in case of any developments.

## Tariffs affecting Middle East countries

Below is a summary of the tariffs implemented by the Trump administration to date, which may affect Middle East countries:

| Tariff measure | Products in scope | Countries in scope | Tariff | Effective date |
|---|---|---|---|---|
| **Steel and aluminum (Section 232)** | Steel, aluminum products and certain derivates | All | 25% | 12 March 2025 |
| **Middle East focus:**<br>This tariff affects all the Gulf-Cooperation Council Countries (GCC) integrated by Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE), as well as other countries in the region such as Jordan, Lebanon, Iraq, and Syria, among others. | | | | |
| **Automobile and auto parts (Section 232)** | Automobiles (cars) and certain auto parts | All* | 25% | Cars:<br>3 April 2025<br>Auto parts:<br>3 May 2025 |
| **Middle East focus:**<br>As in the previous category, this tariff affects all GCC countries and other countries in the region such as Jordan, Lebanon, Iraq, and Syria. | | | | |

***This refers to all countries except Canada and Mexico.**

| Tariff measure | Products in scope | Countries in scope | Tariff | Effective date |
|---|---|---|---|---|
| **Reciprocal tariffs (IEEPA)** | Most products<br>(Temporary exemption for copper, pharmaceuticals, semiconductors, lumber articles, certain critical minerals, energy and energy products).<br>(On 11 April 2025, it was clarified that the temporary exemption to semiconductors also applies to a wider type of electronic devices such as computers, smartphones, monitors, and electronic components, among others) | All*<br>(However, some countries are subject to a flat rate of 10% and others to higher rates) | Flat rate: 10%<br>Higher rates: From 11-50% | Flat rate: 5 April 2025<br>Higher rates: 10 July 2025<br>(Temporary suspension: from 10 April 2025 to<br>9 July 2025, a flat rate of 10% will apply to countries subject to higher rates)<br>(The temporary exemption to semiconductors and the wider list of electronic devices and electronic components applies retrospectively from 5 April 2025) |
| **Middle East focus:**<br>All GCC countries as well as Lebanon are subject to the flat rate tariff of 10%.<br>Nonetheless, other countries in the region are subject to higher rates, such as Jordan (20%), Iraq (39%) and Syria (41%). It should be noted that the original effective date for these higher rates was on 9 April 2025; however, their entry into force was suspended for 3 months (i.e. until 9 July 2025); in the meantime, the 10% flat rate will apply.<br>It is worth noting that such reciprocal tariffs have been set in contravention of the preferential customs duty treatment provided in the Free Trade Agreements (FTAs) that the US has in place with Bahrain, Jordan, and Oman. It is therefore expected that such countries might initiate dispute and countermeasure processes based on the provisions contained in these FTAs.<br>The ad valorem rates of duty set forth shall apply only to the non-US content of an in-scope good, provided at least 20% of the value of the in-scope good originates from the US. | | | | |

*** It refers to all countries except China, Canada and Mexico.**

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## Potential effect on Middle East businesses

Companies operating in the Middle East could be potentially affected by the tariffs in the following cases:

- Manufacturing and trading companies in the Middle East exporting in-scope goods* directly to the US for free circulation.
- Middle East Companies holding inventories of in-scope goods* located in foreign countries which will ultimately be imported into the US for free circulation.
- Middle East Companies supplying in-scope goods* to other exporters who integrate them into a finished product to be ultimately exported to the US for free circulation (indirect export).

*"In-scope goods" refers to goods originating in the Middle East country which is subject to the tariffs.*

## Tariff impact analysis and mitigation strategies

Given the limited exception mechanisms available for these tariffs, companies operating in the Middle East having cross-border transactions with the US should carry out an impact analysis of the tariffs and set up a suitable mitigation action plan for the present structure and future changes.

Some strategies to mitigate any adverse impact of the tariffs could include the following:

- **Correct tariff classification and origin determination:** An accurate Country of Origin and HTS (Harmonized Tariff Schedule of the United States) Classification definition is critical to support the proper application or exemption of the tariffs.
- **Customs valuation analysis:** Determining the correct Customs Valuation Method and supporting the correct deduction of permissible non-dutiable charges may help to streamline the customs duty footprint when importing goods into the US for free circulation.
- **Proper use of Incoterms:** Adequate use of the International Commercial Terms (Incoterms) is essential to transmit the tariff burden to the buyer (importer) in the US, reducing or even removing the impact of tariffs from the seller (exporter).
- **Data analytics:** The use of data analytics tools is key for modeling different scenarios of tariff rates in an interactive way per type of product, HTS code, country of origin, etc., so that the exporter in the Middle East can also visualize the possible impact in the US, for instance when the Delivery Duty Paid (DDP) Incoterm is used and the seller is responsible for the payment of such tariffs.
- **Supply chain:** Assess contractual obligations with overseas suppliers and US customers to determine how the impact of the new tariffs can be reduced or shared across the different stages of the value chain.
- **Other strategies:** There could be other strategies suitable for each business model and each supply chain setup; for example, using "First Sale for Export" where the customs value declared at the US customs could be based on the manufacturer's initial sales price rather than the final price paid by the US importer to a middleman located in a third country.

## How can KPMG help your company?

KPMG can help companies operating in the Middle East carry out an impact analysis of the tariffs implemented by the Trump administration and define suitable mitigation strategies adequate for each business model and each supply chain setup.

KPMG has a dedicated team of experienced customs specialists in the Middle East and globally (including the US) which can help you navigate this volatile and constantly changing tariff landscape. For a detailed discussion, please reach out to the team below or your regular contacts at KPMG.


**Sources**

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Annex-I.pdf

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Clarification of Exceptions Under Executive Order 14257 of April 2, 2025, as Amended – The White House



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KPMG serves the diverse needs of businesses, governments, public-sector agencies, not-for-profit organizations, and the capital markets.

Our commitment to quality and service excellence underpins everything we do. We strive to deliver to the highest standards for our stakeholders, building trust through our actions and behavior, both professionally and personally.

Our values guide our day-to-day behavior, informing how we act, the decisions we make, and how we work with each other, our clients, and all our stakeholders.

**Integrity:**
We do what is right

**Excellence:**
We never stop learning and improving

**Courage:**
We think and act boldly

**Together:**
We respect each other and draw strength from our differences

**For Better:**
We do what matters.

Our purpose is to inspire confidence and empower change. By inspiring confidence in our people, clients and society, we help empower the change needed to solve the toughest challenges and lead the way forward.

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We are dedicated to delivering growth with purpose, helping our clients achieve their goals, and advancing sustainable progress to ensure that all our communities thrive. Empowered by our values, and committed to our purpose, our people are our greatest strength. Together, we are building a values-led organization of the future. For better.


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