Welcome

We will be starting soon...

The Impacts of US Tariffs: Post 1 August Pause

—

6 August 2025

Here with you today...

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Agenda

1. Introduction
2. Current Tariff Landscape
3. Trade deals
4. Tariff mitigating strategies
5. Supply chain strategies
6. Q&A

Current Tariff Landscape

The current landscape

Country Based Tariffs

All Countries

Reciprocal IEEPA

10-41%

Except USMCA goods (All) foreign content if ≥ 20% US content

*The following products are excluded: steel/aluminum and auto parts, copper, pharmaceuticals, semiconductors, lumber, energy/minerals unavailable in the U.S. goods from countries under HTS Column 2 rates

New tariffs effective:
7 August 2025

Canada

Border IEEPA

35%

10% on energy & potash
Except USMCA goods

Articles of steel or aluminum and select derivatives excluded

Tariff increase effective:
1 August 2025

Mexico

Border IEEPA

25%

10% on potash
Except USMCA goods

Articles of steel or aluminum and select derivatives excluded

90 day pause effective:
1 August 2025

China

Fentanyl IEEPA

30%

20% Fentanyl IEEPA
10% Reciprocal IEEPA
7.5 – 100% Sec. 301

Tariff pause ends:
12 August 2025

Certain Countries

Venezuela Oil

25%

All goods for countries* that directly or indirectly purchase Venezuelan oil.

This tariff measure has been enacted but is not currently applicable to any COOs

Active as of (not implemented):
2 April 2025

Brazil

IEEPA

40%

All goods

Articles of steel, aluminum, autos and auto parts, copper and select derivatives excluded

Tariff increase active:
6 August 2025

The current landscape

Industry Based Tariffs

In Effect	**Aluminum** **Sec. 232** *UK imports remain at 25% Tariff increase effective: 3 June 2025	50%*
In Effect	**Steel** **Sec. 232** *UK imports remain at 25% Tariff increase effective: 3 June 2025	50%*
In Effect	**Copper** **Sec. 232** Effective: 1 August 2025	50%
In Effect	**Autos** **Sec. 232** **(passenger & light trucks)** Except USMCA US Content Effective: 3 April 2025	25%
In Effect	**Auto Parts** **Sec. 232** Except USMCA US Content Effective: 3 May 2025 *Import adjustment offset available	25%*

Under Investigation

- Pharmaceuticals
- Critical Minerals
- Semiconductors
- Trucks
- Lumber
- Aircrafts

Initiated 1 July

- Polysilicon
- Unmanned Aircraft System

China Maritime*

*Subject to section 301 tariffs

Executive Order: Further Modifying the Reciprocal Tariff Rates

The White Houses Announces New Reciprocal Tariff Rates effective August 7

- On August 1, 2025, the White House announced in Executive Order, *Further Modifying the Reciprocal Tariff Rates*, that beginning August 7, additional *ad valorem* duties will be imposed on goods from certain countries listed in a published Annex I. The new rates will replace the 10% reciprocal tariff in place since April 9th, 2025
- Goods imported from any foreign trading partner not listed in Annex I will be subject to an ad valorem rate of duty of 10%.
- Goods withdrawn from a bonded warehouse or FTZ before October 5, 2025, will be subject to the previous 10% reciprocal tariff rate.

Goods Originating from the European Union

- Goods originating from the European Union will not be subject to additional tariff rates if their existing ad valorem rate is 15% or more.
- If an EU originating good has an existing most favored nation rate below 15%, its total rate will be MFN duty rate plus the additional ad valorem duty rate to equal 15%

- Imports attempting to avoid reciprocal tariffs through transshipment will be subject to an additional 40% rate of duty plus the reciprocal tariff rate of the goods’ country of origin
- This executive order does not change the current tariff stacking rules (i.e., a good subject to the Section 232 automobile tariffs will not be subject to the reciprocal tariffs)
- These developments do not affect any previous tariffs imposed on China
- The Harmonized Tariff Schedule US will be modified to align with the new ad valorem rates set fourth in this Executive Order

EO: Suspending *de minimis* Exemption for Global Commercial Shipments

- Effective 29 August 2025, the United States will suspend duty-free de minimis treatment for all commercial shipments, regardless of value, origin, or transport method. Goods sent through the international postal network are exempt from this suspension.

Country specific reciprocal tariff rates

Effective 7 August 2025, new ad valorem duties will apply to goods imported from countries listed in the White House Executive Order, *Modifying the Reciprocal Tariff Rates*. These new rates will replace the current 10% reciprocal tariff that has been in effect since 7 April 2025. For countries not listed in the Executive Order, an additional 10% ad valorem duty will apply, resulting in a total reciprocal tariff rate of 20%.

Country	Tariff
Afghanistan	15%
Algeria	30%
Angola	15%
Bangladesh	20%
Bolivia	15%
Bosnia and Herzegovina	30%
Botswana	15%
Brazil	10%
Brunei	25%
Cambodia	19%
Cameroon	15%
Chad	15%
Costa Rica	15%
Côte d`Ivoire	15%
Democratic Republic of the Congo	15%
Ecuador	15%
Equatorial Guinea	15%

Country	Tariff
Falkland Islands	10%
Fiji	15%
Ghana	15%
Guyana	15%
Iceland	15%
India	25%
Indonesia	19%
Iraq	35%
Israel	15%
Japan	15%
Jordan	15%
Kazakhstan	25%
Laos	40%
Lesotho	15%
Libya	30%
Liechtenstein	15%
Madagascar	15%

Country	Tariff
Malawi	15%
Malaysia	19%
Mauritius	15%
Moldova	25%
Mozambique	15%
Myanmar (Burma)	40%
Namibia	15%
Nauru	15%
New Zealand	15%
Nicaragua	18%
Nigeria	15%
North Macedonia	15%
Norway	15%
Pakistan	19%
Papua New Guinea	15%
Philippines	19%
Serbia	35%

Country	Tariff
South Africa	30%
South Korea	15%
Sri Lanka	20%
Switzerland	39%
Syria	41%
Taiwan	20%
Thailand	19%
Trinidad and Tobago	15%
Tunisia	25%
Turkey	15%
Uganda	15%
United Kingdom	10%
Vanuatu	15%
Venezuela	15%
Vietnam	20%
Zambia	15%
Zimbabwe	15%

Court of International Trade Blocks IEEPA Tariffs

On May 28, the CIT issued a permanent injunction blocking the **reciprocal "worldwide retaliatory" tariffs** and the **fentanyl/migration "trafficking" tariffs** (on China, Canada, and Mexico) imposed by President Trump pursuant to IEEPA. The CIT found that IEEPA does not authorize the respective tariffs on various legal grounds.

What Comes Next?

The US Court of Appeals for the Fed. Cir. stayed the CIT's order to vacate trade action taken under IEEPA. The tariffs remain in effect while litigation continues.

Given the the far-reaching implications of this matter, the full 11-member appellate court will rehear the case on July 31st.

Section 301 tariffs on Chinese imports are unaffected.

Section 232 steel/aluminum tariffs and automobile tariffs remain in effect.

Additional Court Challenges

- On May 29, 2025, the DC District Court issued a *preliminary injunction* temporarily blocking the enforcement of tariffs imposed under the International Emergency Economic Powers Act.
- This occurred the day following the Court of International Trade's ("CIT") injunction on the IEEPA tariff actions.
- The DC District Court found that IEEPA does not include the power to impose tariffs, a finding that went further than the CIT's decision.
- On June 3rd, the DC District Court stayed its decision pending appeal to the DC Cir. Court.

It is currently unclear which court will have jurisdiction over this matter.

Trade Deals

Announced Trade Deals

The White House has announced new trade agreements with multiple countries that focus on reciprocal tariffs and increased foreign investment in the United States. The agreements are not final, and no implementation date has been provided by the White House. The White House has also not addressed how the agreement may impact existing tariff rates, including the reciprocal tariff set to begin August 1st.

Confirmed by the White House

United Kingdom

- **Reciprocal Tariff: 10%**
- First 100,000 UK-origin passenger vehicles/year: Subject to a 10% tariff
- Vehicles beyond 100,000/year: subject to 25% tariff

Japan

- **Reciprocal Tariff: 15%**
- Japan will invest $550 billion directed by the United States across various industries
- U.S. car and truck import restrictions into Japan will be lifted
- Japan will expand import quotas and increase imports of U.S. rice by 75%.

Indonesia

- **Reciprocal Tariff: 19%**
- Indonesia will eliminate tariff barriers for U.S. exports for over 99% of U.S. products exported to Indonesia
- Indonesia will exempt U.S. companies and originating goods from local content requirements

Vietnam

- **Reciprocal Tariff: 20%**
- US exports into Vietnam will be duty free

Philippines

- **Reciprocal Tariff: 19%**
- US exports into the Philippines including, automobiles, soybeans, wheat and pharmaceuticals will be duty free

South Korea

- **Reciprocal Tariff: 15%**
- South Korea to make $350 billion in investments in the US
- South Korea to purchase $100 billion of LNG
- 15% tariff on South Korea's car exports

Some trade deals listed above have not yet entered into force and are only a political agreement

EU-US Trade Deal – What is implemented? What is to come?

The US announced a trade deal with the EU on July 28, followed by the EU on July 29. Since then, the US has implemented part of the deal via Executive Order “Further Modifying the Reciprocal Tariff Rates “ but most provisions are not yet in effect. The information below shows what is being enforced as of August 7, 2025 and what remains pending.

Goods Originating from the European Union

In Effect → **15%** — **All-inclusive US tariff ceiling of 15% for nearly all EU origin imports into the US***

**** Existing Sec. 232 tariffs (e.g. Aluminum/Steel etc. are currently still in effect)***

**** MFN rate for specific products outlined in Annex II in Executive Order 14257***

Still Pending

- In the EU’s announcement is has been mentioned that tariffs on EU aircraft and aircraft parts, certain chemicals, certain drug generics or natural resources will go back to pre-January levels.
- EU is working to finalize a list of essential products exempt from U.S. tariffs; aiming for as many zero-tariff exemptions as possible.
- According to EU officials a joint EU-U.S. statement with more details is nearly ready; EU is awaiting a U.S. response to finalize
- The political agreement of 27 July 2025 is not legally binding. The EU and the US will further negotiate, in line with their relevant internal procedures, to fully implement the political agreement.

EU commitments (to be implemented)

- EU to eliminate remaining low tariffs on US industrial goods.
- Improved EU market access for limited US fishery products (e.g., Alaska pollock, salmon, shrimp) via tariff quotas.
- Better access for non-sensitive US agricultural exports (€7.5 billion), including soya oil, seeds, grains, and processed foods, all under tariff quotas.
- Reduced non-tariff barriers through cooperation on automotive standards, SPS measures, and mutual recognition in more sectors.
- Enhanced EU-US cooperation on economic security, supply chain resilience, investment screening, and export controls.
- EU to procure $750 billion in US energy supplies and €40 billion in AI chips over three years, supporting energy security and tech leadership.
- Promotion of mutual investments, with EU companies planning at least $600 billion in new US investments by 2029.

Poll Question:

What tariff cost mitigation strategies has your company implemented?

A. Impact assessment of announced tariffs

B. Pre-stock in the United States ahead of tariff deadlines

C. Supplier cost splitting negotiations

D. Implementing customs related mitigation solutions (First Sale, Origin analysis)

E. Relocate CAPEX investments to the United States

F. None of the above

Tariff Mitigation Strategies

Tariff Mitigation Strategies

Managing disruption from tariffs requires a multifaceted strategy. By leveraging short and long term duty mitigation strategies, companies can optimize tariff liabilities and promote supply chain resiliency while enhancing their competitive edge in the global market.

Origin

Country of Origin Planning

Plan and manage the country of origin for goods strategically to benefit from preferential trade agreements and reduced duty rates

Valuation

First Sale for Export

Reduce duty costs by declaring customs value based on manufacturer's initial sales price rather than final price paid by the importer

Cost Unbundling

Removing or "unbundling" elements from the declared customs price to facilitate a reduction in customs duties

Post Importation Refunds

Obtain duty refunds from retroactive downward transfer price adjustments which results in a reduced customs value

Classification

Strategic Tariff Classification

Ensure precise and strategic classification to avoid overpayment and capitalize on favorable tariff treatments

Other

Foreign Trade Zones

Defer duty payment until foreign merchandise leaves the FTZ for US Consumption

Duty Drawback

Claim 99% refund of duties, fees and taxes paid on goods imported into the U.S. that are ultimately exported or destroyed (certain Tariffs are excluded)

Focusing on Transfer Pricing

Same Method, Slightly Different Approach

Can another point in the range be used for pricing?

Or a different profit level indicator? Working capital adjustments?

Low Risk v. Full Risk

Can risk be changed for entities and what would that mean in terms of COGS pricing?
RPM instead of TNMM?

(Un)bundling

Do some transactions have both a tangible goods and services component? Or a royalty and tangibles goods?

Light Supply Chain Restructuring

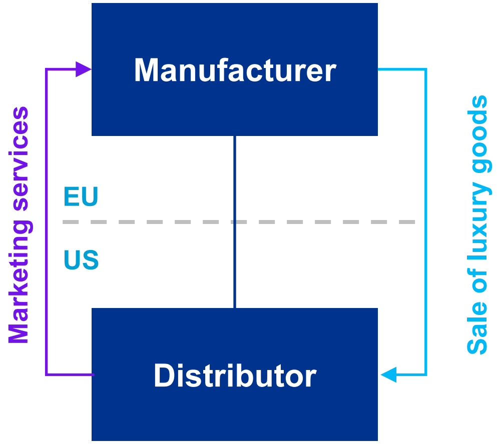
Change import terms.
What about including a wholesale entity in the supply chain?

Supply Chain Restructuring

Discuss with the business expected changes.
Assembly in country?
Change manufacturing location?

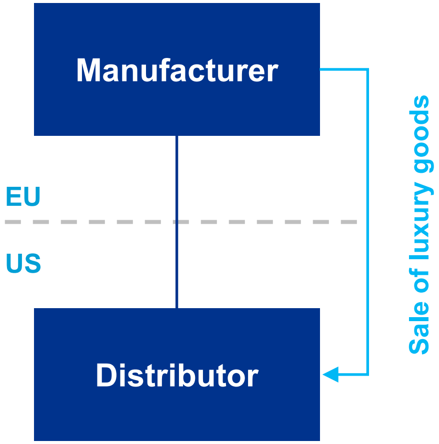
Example 1: luxury goods importer to the US: bundle TPs

Situation 1:
Unbundled



P&L in EUR ('000)	
Revenue	100
COGS	-/- 92
Gross Profit	8
Marketing Expense	-/- 3
Other OPEX	-/- 3.3
EBIT before marketing recharge	1.7
Marketing reimbursement (10%)	3.3
EBIT after recharges	5

Situation 2:
Bundled

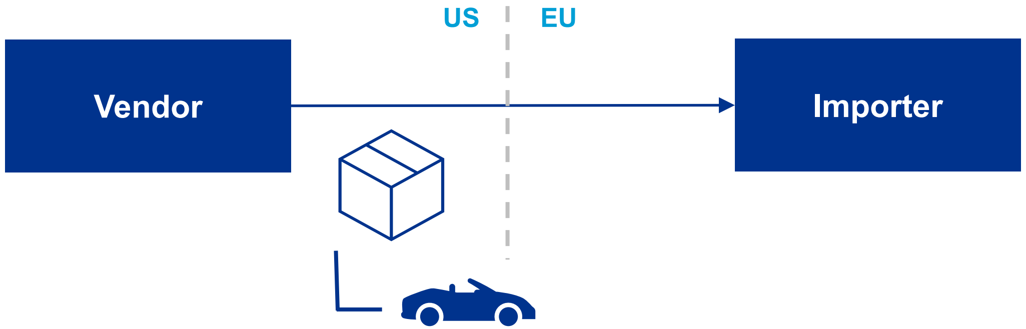


P&L in EUR ('000)	
Revenue	100
COGS (incl. marketing recharge)	-/- 88,7
Gross Profit	11.3
Other OPEX	-/- 6.3
EBIT	5

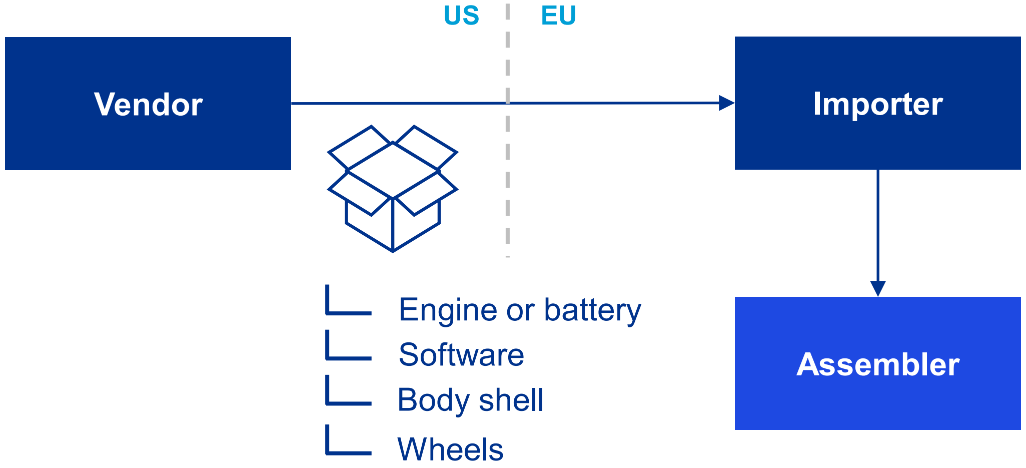
- Italian luxury goods manufacturer sells goods to the US.
- TP policy is TNMM and leaves a 5% OM in the US.
- US distributor recharges historically all the marketing expenses + 10% mark up to Italian HQ.
- This was done to protect the brand (distributor needs to spend what HQ says) and to make sure US distributor does not become brand owner (if TP adjustments are not done regularly and marketing expenses are too high).
- Products were already dutiable, but not high rates so it was not worth it to review the COGS every month.
- US distributor is now an established distributor and marketing expenses are more normalized.
- Change TP policy to embed marketing expenses refund in the TP (dropping COGS). Thus, bundle the marketing recharges with the COGS.

Example 2: Cars, agricultural and medical equipment, servers: unbundle TPs

Situation 1:
Import of cars



Situation 2:
Import of car parts



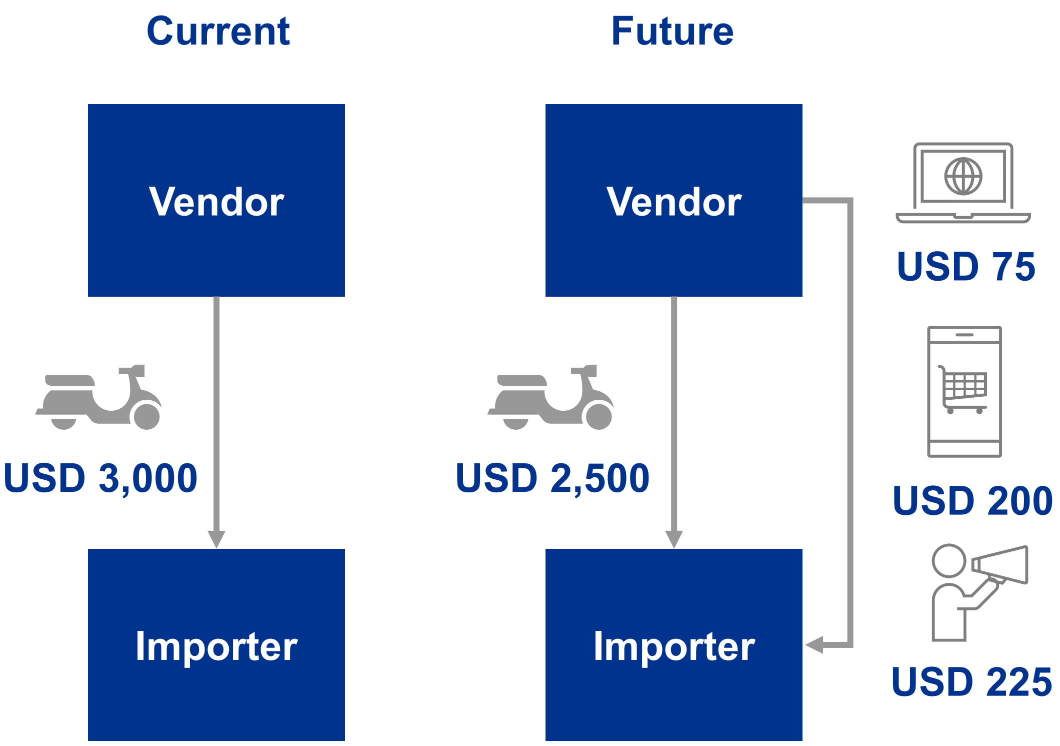
- Many resellers of expensive equipment bundle software, services and spare parts with the main piece of equipment to keep the TP policy simple.

For example:

- Cars imported from the US to Europe, the battery, wheels, software, spare parts are not always separated for TP purposes (unless there is a specific customs objective required)
- Medical equipment, software, spare parts, all together with one TNMM
- Servers, software, spare parts all together or not specific TP policy for the spare parts and software is free of charge intercompany

- When the tariffs rate of the bigger equipment is much higher than for other elements of the price, you do want to separate them.
- There are specific customs rules to decide when bundling/unbundling is possible so need to to coordinate with yout customs team

Example 3: Price Unbundling



Goods are typically sold at fully loaded intercompany prices. By excluding cost components that lack a direct connection to development and/or production costs, it is possible to lower the customs value. Certain cost components may not have a direct relationship with the imported goods, such as:

- (Global) Marketing expenses
- Costs related to after-sales services
- EU certifications and testing fees
- (Extended) Warranty costs
- Expenses for utilizing global IT systems, HR solutions, legal services, etc.
- Software downloaded and installed post-importation

Conversely, cost components that generally have a direct relationship with the imported goods and are typically included in the customs value are:

- Design and development expenses
- Exclusive distribution rights
- Product-related license fees
- Software embedded in the imported goods or used during production

The identified non-dutiable cost components should be invoiced separately to the importer. It is crucial, however, that such invoicing is not a condition of sale for the imported goods, as this would compromise the 'non-dutiable' nature of these charges.

Contractual based duty mitigation strategies

01

Liability is **explicitly defined in a clause** in the contract or the general terms and conditions

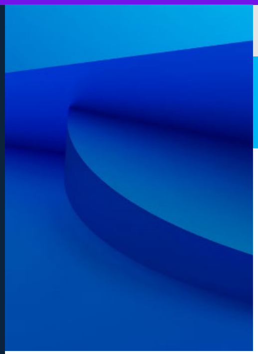
02

Incoterms:

- **EXW:** buyer's responsibility
- **DDP:** seller's responsibility

03

Not defined in the contract: liability is to be analysed according to the law applicable to the contract



04

Legal mitigation of the liability (of the seller):

- Price revision clause
- Force majeure clause
- Hardship clause
- Change of law clause

05

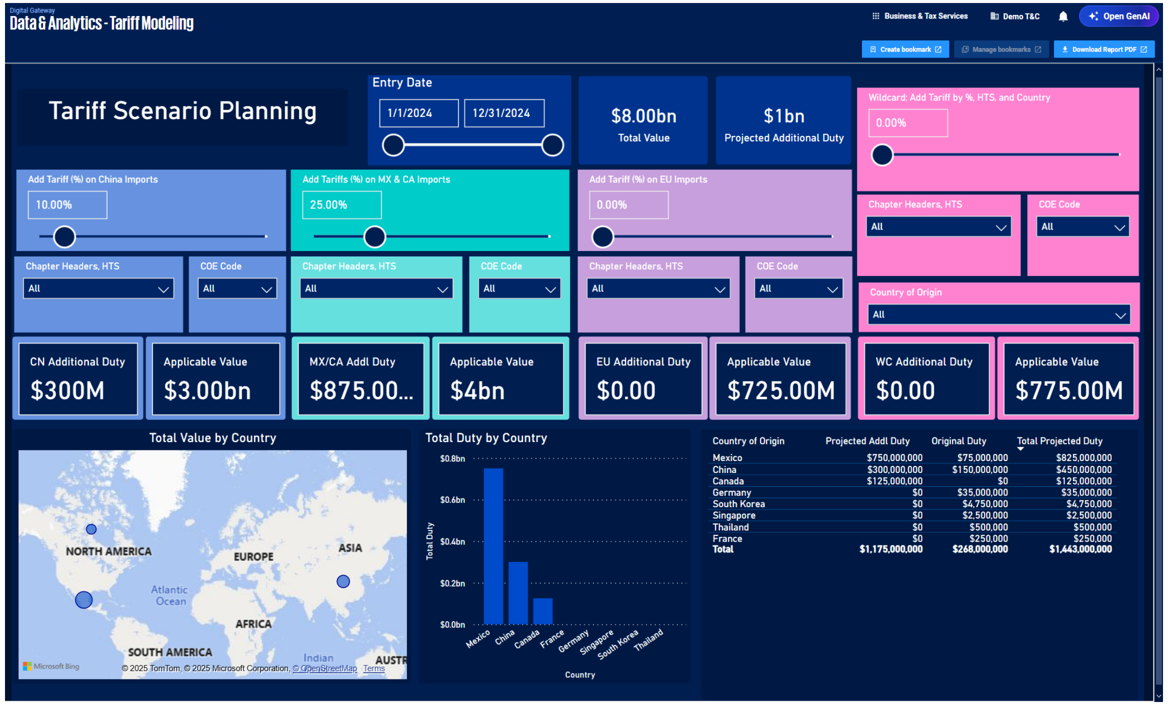
Conclusion: importance of the contractual framework and the analysis of the different commercial relationships

Tariff Modeler Tool

KPMG's approach to tariff modeling leverages the latest technology, including GenAI, while considering the data needed to navigate today's global trade disruption. Digital transformation for our clients aligns your global trade data and technology with your organizational objectives.

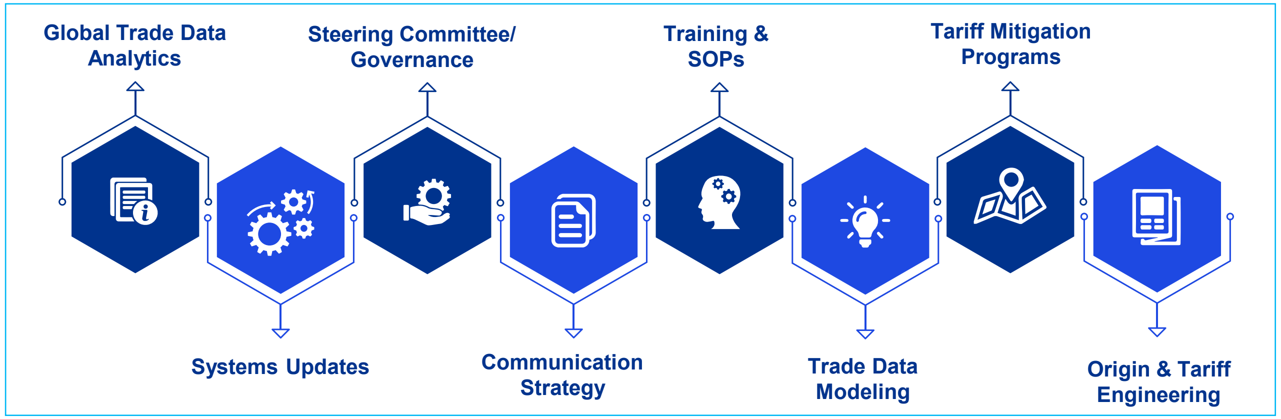
KPMG's Tariff Modeler considers the challenges businesses face to monitor the impact of tariffs for 'today' and build for 'tomorrow'

- Tariff Impact Analysis
- Supply Chain Transparency and Insight
- Client Accessible Portal via Digital Gateway
- Driving and accelerating value
- Supports Tariff Strategy Implementation
- Regulatory Tracking



KPMG's Data and Technology Services

Trade Assessments	Data & Analytics	Supply Chain Traceability
Trade Management Systems Implementation	GenAI	Master Data Management



Supply Chain Strategies

Profitability is impacted. Supply Chain leaders to rethink their network implications & investments

Stijgers AEX-aandelen

UNILEVER PLC	+1,9%
KPN Koninklijke	+1,6%

Beurzen wereldwijd flink opgeschud, AEX eindigt onder 900 punten

1 aug 06:55

Dalers AEX-aandelen

UMG	-5,2%
ING Groep	-4,5%
Aegon	-4,3%
ADYEN NV	-4,1%
DSM FIRMENICH AG	-3,8%
PROSUS	-3,7%
RANDSTAD NV	-3,1%
ASML Holding	-3,0%
ABN AMRO BANK N.V.	-2,8%
ArcelorMittal	-2,8%

Aandelenindices Europa

AEX	886,42	-1,73%
DAX	23.457,20	-2,6%
CAC 40	7.555,37	-2,79%
FTSE 100	9.049,90	-0,91%
Euro Stoxx 50	5.175,25	-2,72%
FTSE MIB	39.923,00	-2,6%
IBEX 35	14.117,40	-1,98%
BEL 20	4.550,30	-1,85%

Aandelenindices Wall Street

Dow Jones Industrial Index	43.612,71	-1,17%
S&P 500	6.269,03	-1,11%
Nasdaq Composite	20.813,49	-1,46%

European Corporate Investment in the US Amid Trump's Tariffs

Confirmed Major Investments

Several large European firms have announced or expanded investments in the US, often as part of broader strategic shifts to mitigate tariff exposure:

Johnson & Johnson (EU Division)

- **Investment:** Over **$55 billion** in manufacturing, R&D, and technology in the US over four years.
- **Reason:** Cited favorable tax conditions and long-term strategic alignment with US market [1].

Volkswagen Group

- **Action:** Accelerated expansion of its **Chattanooga, Tennessee** plant.
- **Focus:** Electric vehicle production to serve the US market directly and avoid auto part tariffs.

Sanofi

- **Investment:** Increased funding for US-based pharmaceutical manufacturing and clinical trials.
- **Reason:** To bypass potential 25% tariffs on EU pharmaceutical exports [2].

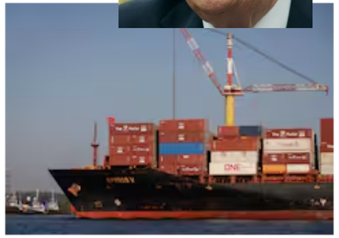
Siemens

- **Action:** Committed to expanding its US digital industries division.
- **Focus:** Automation and smart infrastructure, especially in energy and transport.

Months of Trump's tariffs are shifting supply chains and diplomatic ties

The Trump administration's tariffs are causing a significant shift in supply chains and diplomacy, with major U.S. corporations and trading partners scrambling to cope with the new rules.

July 20, 2025



The KPMG framework proved to create business stability amidst trade wars and business uncertainties

KPMG Business Resilience Framework

Enabler

Real-time intelligence on uncertainties

Approach

Decoding “Trade Tariffs” and their business implications

Real time Scenario development, financial Trade-Offs and risk mitigations

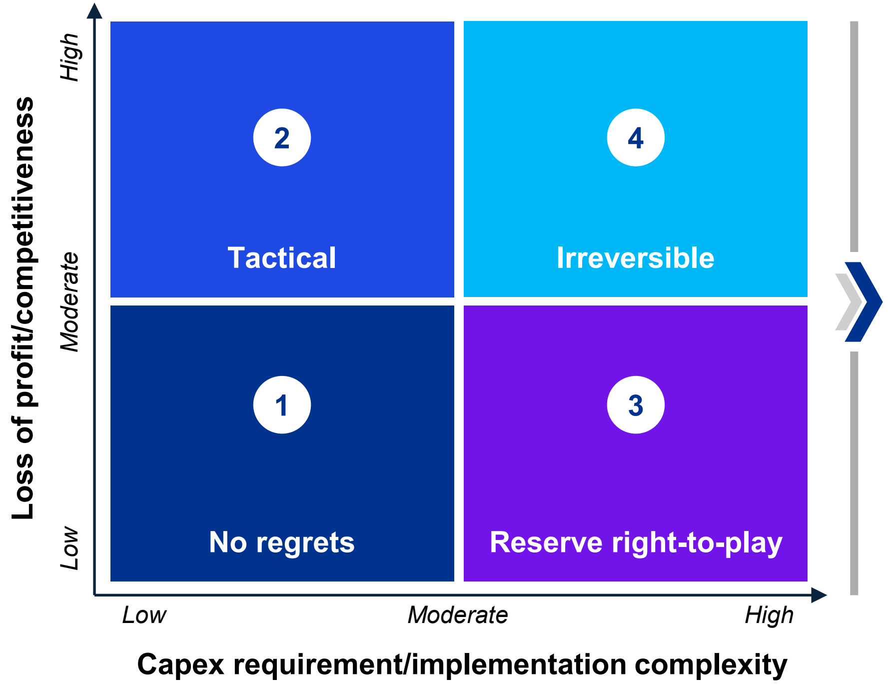
Mid-Longer term ‘alternate future’ scenarios, Capex related

Enabler

Permanent capability for business resilience & Supply Chain Risk management

We have plotted Business Opportunities and Risk Mitigations into four categories, assessing future competitiveness vs capex needs

Trade-off decision making



Additional key considerations – ILLUSTRATIVE

Options must be assessed against additional trade-off decision criteria reflecting short, mid and long-term impact.

	Impact over time		
Decision criteria	Short-term	Mid-term	Long-term
Business risk	⬆	➡	⬇
Organisational impact / change tolerance and culture	➡	⬆	➡
Brand reputation and customer expectations	⬇	➡	⬆
Market regulations and partnerships	⬆	➡	⬇

Key: ⬆ High impact ➡ Moderate impact ⬇ Low impact

> "Trump's foreign policy will continue to shape global discussions for years to come." (1)

Source: (1) A comprehensive overview of Donald m Trump's foreign policy (CEO Today)

Developing the right tariff mitigation strategy is crucial to minimize costs, ensure compliance, and maintain supply chain resilience

Sample strategies to mitigate tariff impacts

Immediate (Now) Initiatives

Quick, tactical actions to minimize immediate tariff costs with minimal disruption

1. **Pull Ahead Inventory:**
   - Import high-tariff goods early (e.g., Pipe & Fittings from China)
   - Stockpile to delay tariff costs
2. **Classification Optimization:**
   - Reclassify to lower-duty HS codes (e.g., 7304)
3. **Negotiate Supplier Terms & Cost-sharing:**
   - Ask suppliers to share tariff hikes
   - Tweak payment terms for relief
4. **Maximize Trade Program Benefits:**
   - Secure available customs exemptions
5. **Adjust Logistics Routes:**
   - Avoid double border crossings
   - Optimize port choices
6. **Customs Valuation & Transfer Pricing:**
   - First Sale for Export
   - Value Unbundling
   - Transfer Pricing adjustments

Mid-Term (Near) Initiatives

Strategic adjustments requiring planning and moderate investment for sustained savings

1. **Strategic Sourcing:**
   - Shift from China to other territories
   - Consolidate suppliers for savings
2. **Supply Localization & Nearshoring:**
   - Adjust supplier selection for production to US
   - Partner with regional suppliers
   - Foreign Trade Zones and Duty Deferral Regimes
3. **Demand Management:**
   - Standardize specs to cut costs
   - Model customer sentiments, alternative scenarios
4. **Technology Deployment:**
   - Use Tariff Modeler for real-time insights
   - Use Network Design Software

Longer-Term (Far) Initiatives

Transformative changes requiring significant investment and time for maximum resilience

1. **Product Engineering for Tariff Impacts**
   - Swap to lower-tariff materials
   - Design for post-import assembly
2. **Full Supply Chain Reconfiguration:**
   - Build facilities in low-tariff areas
   - Diversify global sourcing
3. **Supplier Development:**
   - Boost U.S. supplier capacity
   - Co-develop cost-effective options
4. **Product Pricing and Offerings:**
   - SKU rationalization
   - Product offering strategy
5. **Value Chain:**
   - Tax-driven restructuring
   - De-risking foreign manufacturers
   - Digital COEs
6. **U.S. Manufacturing:**
   - Site location
   - U.S. manufacturing design

Legend: Ideally already in motion/completed | Not Yet fully utilized potential | At risk if not started yet

08

Q & A

Please share your questions in the chat


KPMG