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Special Alert

U.S. Reciprocal Tariff: How to navigate Global Trade Impacts

April 2025

Background

On 2 April 2025, U.S. President Donald J. Trump signed an Executive Order imposing a 10% tariff on all trading partner countries (effective from 05 April 2025), and 36% on goods with Thai origin imported into the U.S. (effective from 09 April 2025).

Following that, on 11 April 2025, President Trump and the U.S Administration have announced: a 90-day postponement of country-specific Reciprocal tariffs; and a temporary "exemption" of tariffs on some Semiconductors and Smartphones, etc., pending the outcome of further investigations into the whole electronics supply chain - following which tariffs on these products could be re-imposed.

The reciprocal tariffs impact on almost all product sectors, directly and indirectly, but with most significant impact in Key export sectors of Thailand including auto parts and motorcycles, computer and parts, electronic products, semiconductors, electrical appliance, telephone sets, plastic products, steel, rubber and rubberwood, textiles, solar panels and components, and rubber gloves, and fishery products (especially shrimp). Meanwhile, product groups likely to be moderately affected include other agricultural products, fresh and processed fruits and vegetables, meat and processed foods, and plastic pellets.

To date, Governments are in progress of taking the actions to discuss and negotiate with the U.S. to manage the imposition of reciprocal tariffs. Thai Department of Foreign Trade is preparing to propose to the board that it become the sole authority to issue Form C/O for 49 watchlist items exported to the U.S. and is also reviewing the addition of 9 high-risk product groups—such as steel, copper wire, and aluminum—to the watchlist.

Whilst this is occurring, Businesses exporting to the U.S. market, need to determine and decide on courses of action to be taken in the short, medium, and longer terms – to remain connected into Global value chains.

Impacts of reciprocal tariffs on Exporters to the U.S.

! The U.S. reciprocal tariff policies have the impacts to Businesses in Thailand in the following ways:

1	Exposures to the challenges arising from the overall negative impact on the global economy arising from the U.S. Tariffs. e.g. weakened demand for Intermediate goods from Thailand's trading partners, especially China where exports to the U.S. are heavily affected by high tariffs (up to 145%).
2	Weaken the competitiveness of Products exported to U.S. market, potentially leading to the higher costs and decline of purchase orders/contracts particularly if Thailand faces significantly higher tariffs than competitors and if the U.S. has readily available substitute sources.
3	The need to reduce of selling prices to U.S. buyers for the products to remain competitive in the U.S. market and therefore squeezing profit margins of businesses especially those businesses that are heavily reliant on the U.S. market.
4	Thai Government (DFT) is preparing to tighten origin scrutiny and expanding its watchlist of high-risk products (AD, Section 301, 232), with ongoing trade data monitoring and cooperation with U.S. Customs to prevent circumvention of U.S. tariffs via false Thai origin claim for the products imported into the U.S.
5	Needs to consider restructuring business models (e.g. Innovate products, diversify markets, and strengthen balance sheets to manage the immediate and potential impacts of U.S. tariffs) / Supply Chains (e.g. mitigate risks and enhance production efficiency to remain competitive and resilient amid global trade shifts).

Deloitte's recommendations for businesses

Faced with the above challenges businesses need to determine and decide on courses of action to be taken in the short, medium, and longer terms to address these – and remain connected into global value chains. These actions could include:

Immediate and short-term actions

- ✓ Identifying affected goods and HS codes of transactions involving the U.S. to determine the 'new' tariff rate and tariff exposure and update customs declarations accordingly.
- ✓ Confirming that the HTS codes declared on import into the U.S. are correct and identify whether the products can fall into any exemption list of reciprocal tariff – recently issued by the U.S.
- ✓ Re-evaluating Customs Valuation Components to confirm that customs values reflect actual transactions and avoid unintended overpayment of duties while staying compliant.
- ✓ Reviewing and adjusting transfer pricing policies to reflect the changes brought on by the new tariffs, businesses can ensure compliance with customs regulations, avoid underpaying duties, and mitigate the risk of getting potential audits or penalties.
- ✓ Considering the availability of materials for production and having the supply chain planning to source sufficient materials to ensure the production within "90-day" postponement of reciprocal tariff applied to specific countries.
- ✓ Expediting the export shipments to the U.S. before the end of "90-day" postponement of countries-specific reciprocal tariff.
- ✓ Carefully review the determination of "Products Origin" for Products exported and imported into the U.S., and enhance the internal review to evidence for "Products Origin"
- ✓ Continue examining the short-term product pricing strategies with the U.S. trading partners to manage the value base on which 10% Reciprocal tariff will be applied from 05 April. Considerations will need to be given to the Customs, Tax and Transfer Pricing considerations of any downward changes in pricing.
- ✓ Actively participating in making representations to the Government/ Competent authorities on the significant negative impact the U.S. reciprocal tariffs will have on your business.

Medium and long-term actions

- ✓ Initiate the scenario modelling and perform the "potential" impact assessments under each scenario.
- ✓ Develop an integrated plan on how the business intends to respond under each scenario (including any conversion of business models and restructuring global supply chains), with the considerations from customs, tax, legal and transfer pricing perspectives.
- ✓ Explore the availability of any schemes/arrangements in the U.S. that offer tariff exemptions/ reduction (e.g., duty relief scheme; 20% Exemption Rule, etc.) for products to be imported into the U.S.
- ✓ Evaluate scope for customs tariff engineering that would enable alternative HTS codes with lower MFN rates to be declared and identify the opportunities for products to fall under any published exclusion/ exemption list(s).
- ✓ Diversify the export markets by utilizing the available Trade Agreements - but need to consider the quality and technical standards in those destination countries.

How Deloitte can support

Our Tax & Legal team comprising Customs & Trade, Tax, Transfer Pricing and Legal specialists, can support you to remain connected in global value chains – through:

Regulatory updates

To provide timely updates on any changes to U.S. Tariff policies, Origin requirements, and "potential" impacts on your business models.

Scenario Modelling and Impacts Assessment

To review the Company's current business model and plans/business drivers, to provide "comprehensive" impacts assessment from customs, tax, legal and transfer pricing perspectives.

Supply chain restructuring strategy

To advise on strategies that could be adopted in the short, medium, and longer term, including access to alternative customer markets.

Compliance Review with focus on Product Origin

To perform the independent review and assess on whether the products exported by the companies satisfies "Countries Origin"; quantify potential exposures and provide the recommended actions.

Tariff Classification Review

To perform tariff classification review whether the HTS codes declared on import into the U.S. are correct and identify whether the products can fall into any exemption list of reciprocal tariffs.

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