



TAX NEWS & VIEWS PODCAST

Episode - Transform your approach to tariffs with Gen AI insights

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Carrie Falkenhayn: From Deloitte Tax, welcome to the Tax News and Views Podcast. In this series, we talk to specialists from Deloitte about the latest business issues and developments. I'm Carrie Falkenhayn, your host for Tax News and Views, and today we're talking about two very timely topics, tariffs and AI. Understanding trade and tariffs is crucial for businesses to maintain their competitiveness, but it can also be difficult to understand all the trade and tariff implications. Arising from not only complex policy frameworks, but also supply chain challenges, as well as the constant geopolitical volatility that we're seeing. Our speakers will be sharing their thoughts on the ability of technologies like AI to assist organizations. So, joining me today are two colleagues from Deloitte's Global Trade Practice. We have Gabe Kitamura and Hitesh Mayekar. And Hitesh, I'm gonna start with you. As I said, and as everybody knows, AI has been in the news a lot, as well as trade and tariffs. Has technology been in this space historically, and are we seeing AI being deployed, or leveraged in this space?

Hitesh Mayekar: Yeah, so Carrie, traditionally, right, trade management has been, like, manual-driven with lots of focus on a few key trade data elements and transactional data or documentation. Historically, and even now, right, a big goal for some companies have been a focus on developing traditional technologies tied to the ERP, such as global trade management solutions, and maybe more advanced trade teams. They started, their journey to build analytics on top of the combinations of ERP and filing-

related datasets. And these traditional technologies, right, while powerful and useful, may come up with, like, limitations. For example, like GPMs can handle the transactional need. But it may not give the user automatic insight into their data that they are using. Another example is, like, classification of products under tariff schedule, which is required, like, among other things. To file and determine duty rates. We have helped our clients, like deploy machine learning-based classification solutions. But then limitation can arise when the training data sets, right, which allows. The machine learning to work are poor quality. And, lack of rational or a decision backup grounded in customs guidance or precision to support the classification. And, like regarding broader deployment of AI in this space, I would say it's limited to early stages of applications. We have seen, like, direct and proven applications over different types of AI to automate. Traditionally, like time-consuming work, such as, like, sanction partly screening or tariff classification. But recently, right, we are seeing a lot more interest in expanded use, given the focus on tariffs since the start of this year.

Carrie Falkenhayn: Absolutely. Gabe, let's get you involved. So, it sounds like now is the time that, the trade and tariff space is finally getting its moment for investment. How are you advising clients and our teams to navigate the challenges associated with leveraging AI in this space?

Gabe Kitamura: You know, while AI can be transformational, and I think there's a lot of, excitement around the topic, there's still a very critical need for subject matter expertise. What we've seen is with a lot of the generalized applications, you know, there's a lot of attempts at using it in the space, but because they're not specialized or trained for trade topics. What we're seeing is a lot of inaccurate or hallucinated identification of certain things that we would look for in the trade space, like rates, rules, or even recommendations when a tariff topic is prompted by GenAI solutions. You know, this is particularly true when we're thinking about the shifting rates and rules in certain jurisdictions, and the need to really rely on primary sources. So, what we're seeing is if the prompts aren't properly constructed, or guardrails put in place, it could lead down the path of incorrect actions, filings to the government, compliance risk, etc. With regards to, kind of, how we've been advising our clients and, you know, using AI ourselves in this space, is we've been pursuing a more measured approach. Where the use cases or the problem statements get clearly articulated at the outset. And where there is a topic area of more sensitivity or risk, taking a very deliberate approach. AI tools should be thought of as assistance that free up time, rather than complete replacement for deep trade, regulatory, and technical expertise. But that said, there might be some areas with quicker wins where they're maybe less sensitive or expertise-heavy, and maybe even sometimes piggybacking on broader use cases, might be a path to success.

Carrie Falkenhayn: And I can see where the idea of focusing on quicker wins and more generalized applications are going to be interesting to organizations. Hitesh, are there trade-adjacent use cases that you're seeing that are getting repurposed for trade-related activities?

Hitesh Mayekar: Yeah, absolutely right. Actually, that is where we are finding some more, use cases further in development. We are seeing results in application of more generalized application towards standardizing the reading, conversion, and handling those unstructured data. To make it, like, a bit more tangible, right, we mentioned before that trade is really transaction or a documentation heavy, and some of our work involves, like, looking at a large number of document packets that. Connected, or a company import filings the problems? Like, have been what you might expect, right? Like, documentation is in different formats for different sources, like PDF scan qualities are, varying, level of quality, different languages involved etc, right? Also, we historically had to, like, manually transpose that data or image conversion solution to turn all that documentation into a structured data. Even with, like, more advanced tech, right, we had to configure solutions on where to pick up fields and use cases. Or, like, suffered if that there weren't enough correction to the solution. Now, with GenAI, it can learn how to read that documentation, find the results, as well, as I mentioned, right? And then even look for consistency across

the documentation, and prepare for someone to, like, review, rather than just transposing it from an IT side, right, we are also seeing GenAI deployed in first-level help desk ticket handling for some of our implementations, right? An end user locks in an issue with enough prompt information, and the agent can help with, like, initial information collecting, like. Routing to the appropriate teams, initial diagnosis serve as, like, a technical repository on the IT solutions. Which are under review, and more. This is a case where the direct application and where some operational help desk services, like, we do in terms of a trade operation. Could potentially see a large efficiency by removing some of the more manual and time-consuming, non-specialized work out of this process.

Carrie Falkenhayn: Gabe, is there a broader movement you're seeing around technologies in this space, just beyond AI?

Gabe Kitamura: Absolutely, and I think, you know, I think kind of linked into what Hitesh was saying a little bit earlier, right? Trade is a bit unique in that it consumes a lot of data, and it really creates or originates very little data of its own. You add to that the fact that most ERPs aren't set up with trade compliance specifically in mind, and it can become a bit of a challenge. You might even be surprised to hear that most companies aren't sure how much they import globally or are paying in tariffs globally, and that's in part because of that kind of context. So, to deal with these types of problems, especially now with the focus on quantifying, complying with, and mitigating tariffs, we've seen a lot of movement in the direction of automating the collection. Of disparate data sets and standardization of those datasets. And they're putting that in client lakes, or data lakes and analytics hubs to get the data in a place where analysis can take place in a standardized and a scalable environment. When a client can get all their data in one place, they can really start to unlock value. There's potential applications like scenario modeling, managing transactions by exception, running analysis on all their products everywhere at once, etc. We've seen a lot of attention on using trade data to strategically identify duty savings opportunities. And to meet that need, we developed, actually, one of our own solutions called TerraVision that works off of standardized U.S. import data sets from the government. And it allows the users to see a quantified amount for how much they've mitigated, and identify actionable opportunities, based on trade-specific data consistency checks. With that solution, we're able to flag potential insights where duties might have been paid incorrectly, or where potential FTA benefits weren't a deeper look. Which has been really impactful with our clients.

Carrie Falkenhayn: Yeah, I can imagine that is an exciting opportunity for them. So, what can businesses and their teams looking at tariffs do today to start taking advantage of some of these new technologies?

Gabe Kitamura: So first, we would always recommend identify the pain points, but also the data dependencies. Instead of taking the approach of the technology in search of a problem, right, like a hammer looking for a nail, understand your organization's challenges, priorities, and then work from there. In parallel with identifying those use cases, we recommend getting a sense of the underlying data availability and quality, so that you have a clear picture of your dependencies. Because a lot of these technologies really do need to have the available information to actually be helpful. From there, we recommend isolating technology solutions that are fit to address the problems, and potentially isolating some targeted proof of concepts that can be pursued to prove out the utility for the use case.

It might be that AI will be a fit, it might also be that the data is so disparate and such poor quality that you might conclude that there's a broader data quality use case that needs to be the focus before the applied one in the tariff space. And that's okay, as long as the problem is the focus, and again, not the application of a particular tool to a particular problem. If needed, build a business case, as a joint effort between trade, supply chain, and IT. You might need to quantify estimated savings, whether that be a reduction

in hours or duty mitigation opportunities that, you know, are providing tangible financial benefits. And then finally, thinking about developing an iterative. Or an incremental implementation approach, so that you can deliver value continuously. And have that flexibility to shift priorities as the trade and tariff environment shifts.

Carrie Falkenhayn: And I guess that's something we can expect to happen just based on recent events. So, thank you both for sharing those insights. If our listeners would like more information, you could reach out to Gabe or Hitesh directly on LinkedIn. You could also go to Deloitte.com and search on Global Trade. There's a lot of different thoughtware there. One I particularly liked was a piece called Navigate Shifting Trade Waters with Confidence. Audience! As always, thank you for listening. I hope you are able to join us next time. In the meantime, be well, everyone. Take care.

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