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Magazine

Global Manufacturing Insights: Mexico & Asia – Trends in Nearshoring, Reshoring, Trade and Tariffs

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Partner, Global Services, Plante Moran



Today's Agenda

1. About Plante Moran
2. Global Trade & Tariff Environment
3. U.S. Trade Deficit and Relationships
4. Understanding Tariffs
5. Trump Administration Tariffs
6. USMCA: Overview, Joint Review, and Potential Future
7. Offshoring, Nearshoring, Reshoring
8. Conclusions
9. Plante Moran Trade Roadmap
10. Q&A Session



About Plante Moran



About Plante Moran

Plante Moran is among the nation's largest certified public accounting and business advisory firms.

We provide clients with audit, tax, business consulting, and wealth management services.

Whether you have a single, specific need or require comprehensive services worldwide, we have the knowledge, experience, and resources to meet your goals.

Our professionals specialize by industry. This means our clients benefit from the expertise and advice of teams that know their specific challenges and how to combat them. We bring the full resources of the firm to every client.

1924 year founded

3,500+ total staff

360+ partners

1,300+ number of CPAs

20 offices in United States

4 global offices



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- Employee benefit plan audit
- International audit
- SEC surprise audit
- Single audit



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- State & local tax
- International tax
- Personal tax
- Mergers & acquisitions tax
- Tax controversy services
- Tax credits, incentives,
& deductions
- Transfer pricing



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- Financial planning
- Insurance
- Investment advisory
- Personal tax planning
- Trust

* These services are provided by Plante Moran affiliates:
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Finance, Plante Moran Realpoint, and Plante Moran
Realpoint Investment Advisors



About the Speaker

Alejandro Rodriguez | Partner – Global Services

As a partner in the Global Services practice, Alejandro assists clients in exploring, establishing, beginning, and operating businesses globally. Since he opened Plante Moran's Monterrey, Mexico office, he has continued to build relationships with colleagues, clients, and business leaders in all of the international locations (Shanghai, China; Mumbai, India; and Tokyo, Japan) as well as many other countries that are of interest to foreign investors.

He primarily advises manufacturing and distribution companies of various sizes, from small and medium-sized enterprises working on their first international project to multinational corporations with global operations.

His experience includes advising clients on developing and validating business cases, site selection, negotiation of government incentives, incorporation and structuring of legal entities, operational audits, customs matters for export and import, supply chain consulting, and operational assistance for startup and building cultural links.



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 <https://www.plantemoran.com/get-to-know/people/alejandro-rodriguez>



Global Trade & Tariff Environment



Global Trade & Tariff Environment

- **Increased Protectionism:** Many countries, including the U.S., have adopted more protectionist trade policies, leading to higher tariffs and trade barriers.
- **Fragmentation of Trade Relations:** There is a growing fragmentation in global trade relations, with countries focusing more on regional trade agreements and less on multilateral trade deals.
- **Impact of Geopolitical Tensions:** Geopolitical tensions, such as those between the U.S. and China, continue to influence trade policies and create uncertainties in global trade.
- **Rise of Emerging Markets:** Emerging markets, particularly in Asia, have become significant players in global trade, contributing to shifts in trade patterns and economic power.
- **Economic Volatility:** The global trade environment remains volatile due to economic uncertainties, policy shifts, and the lingering effects of the COVID-19 pandemic.



U.S. Trade Deficit and Relationships



Understanding U.S. Trade Deficit

A **trade deficit** occurs when a nation imports more than it exports.

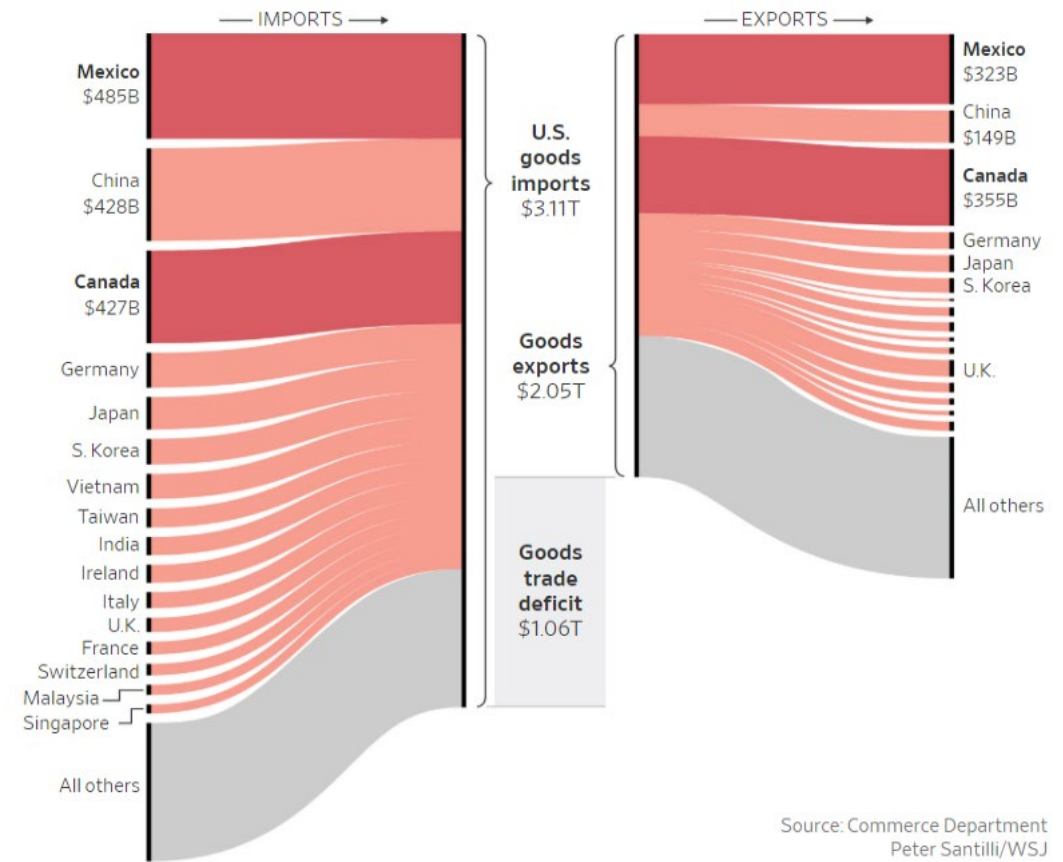
For 2023 U.S. trade deficit was **\$1.06T**.

Mexico, China and Canada were the U.S. most important trading partners during 2023.

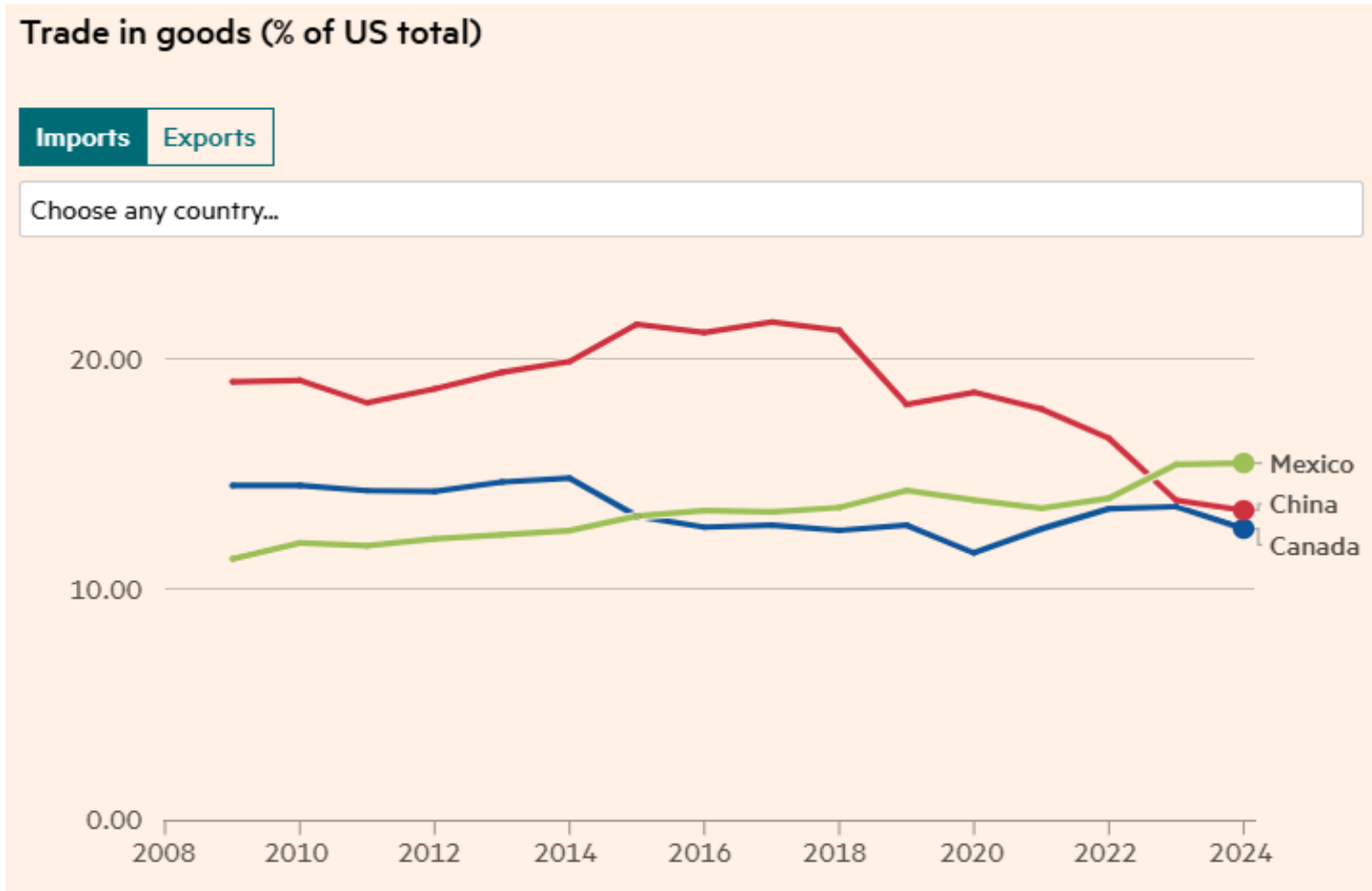
President Donald Trump has prioritized **reducing the U.S. trade deficit**, which has grown substantially over the years.

He aims to do this by encouraging “**Buy American**” initiatives, **strategically imposing tariffs** and renegotiating trade agreements.

Value of U.S. trade of goods in 2023, by trade partner



Understanding U.S. Trade Relationships



The **Section 301** tariffs imposed on Chinese goods **in 2018** led to a notable decline in U.S. imports from China.

This shift **created opportunities for Mexico and Canada**, which saw their exports to the U.S. increase as a result.

The imposition of tariffs can cause significant shifts in trade and the economy. Typically, **these changes take years, and sometimes even decades**, to fully manifest.

Understanding Tariffs

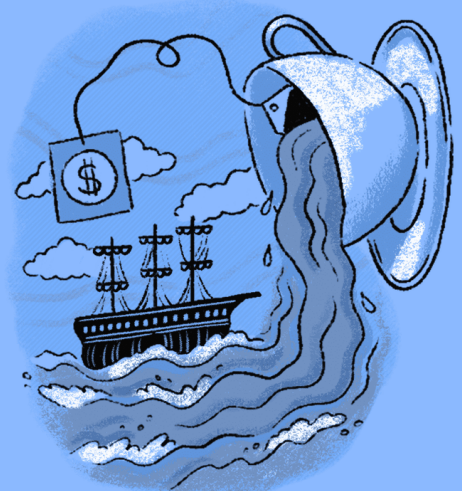


Understanding Tariffs: What is a Tariff?

A **tariff is a tax** imposed on goods and services as they move across international boundaries.

The most prevalent form is an import tariff, which is **imposed on tangible goods** entering a country.


The **importer of record** is usually responsible for paying the tariffs.



Tariff

['ter-əf]

A tax imposed by one country on the goods and services imported from another country to influence it, raise revenues, or protect competitive advantages.

 Investopedia

Understanding Tariffs: Common Myths

- **Tariffs are a Form of Sales Tax:** Unlike sales taxes, which are transparent and itemized on receipts, tariffs are applied when goods enter a country and are not separately listed. This can make it seem like tariffs are hidden costs.
- **Intercompany Operations or Imports Are Exempt from Tariffs:** Some believe trade between related parties or intercompany imports is exempt from tariffs. However, every cross-border operation is subject to tariffs, regardless of the relationship between the parties involved.
- **Impact of the Tariff falls on the Foreign Exporter:** Many people believe that foreign exporters bear the cost of tariffs. The burden falls on domestic importers, who may pass these costs onto consumers.
- **Tariffs Only Affect Final Products:** It's a common misconception that tariffs only affect finished goods. Tariffs can also be imposed on raw materials and intermediate goods, increasing manufacturers' production costs.



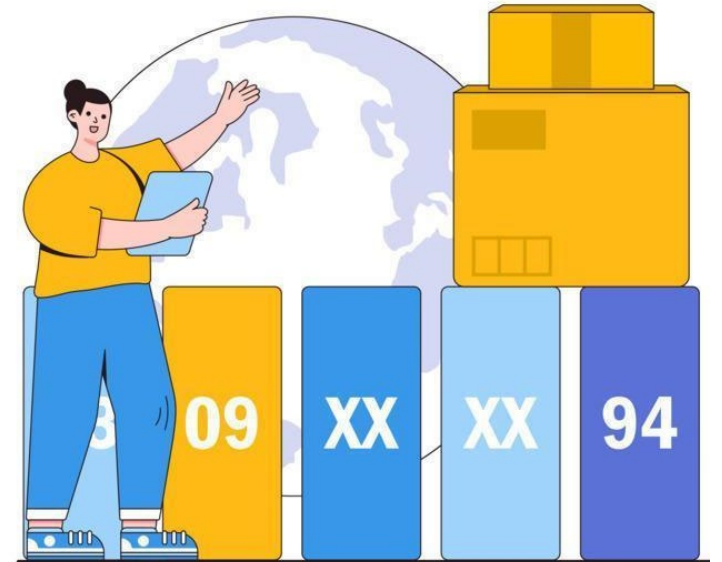
Understanding Tariffs: Key Elements

- **HTS (Harmonized Tariff Schedule) Code:** A standardized system for classifying traded goods, crucial for determining the applicable tariffs and ensuring consistent customs procedures globally.
- **Customs Value:** The total value of imported goods used to calculate duties and taxes, which is important for accurate tariff assessment and compliance with trade regulations.
- **Country of Origin (COO):** The country where a product is manufactured or produced, essential for applying the correct tariffs and adhering to trade agreements.
- **Incoterms (International Commercial Terms):** A set of rules defining the responsibilities of buyers and sellers in international trade. They are vital for clarifying shipping terms and reducing misunderstandings.



Understanding Tariffs: HTS Code

- **Description:** The HTS is a standardized system used globally to classify traded goods. It assigns a unique code to each product, which helps determine the applicable tariffs and ensures consistent customs procedures.
- **Example:** For instance, the HTS code for hand-held umbrellas primarily used for protection against rain is 6603.20.3000. This code helps customs officials quickly identify the product and apply the correct tariff rate.



Understanding Tariffs: Customs Value

- **Description:** Customs value is the total value of imported goods, which is used to calculate duties and taxes. It includes the cost of the goods, shipping, insurance, and any other expenses incurred up to the point of entry.
- **Example:** If a company imports electronics worth \$10,000, with \$1,000 in shipping and insurance costs, the customs value would be \$11,000. This value is crucial for determining the duties and taxes owed.



Understanding Tariffs: Country of Origin

- **Description:** The country of origin is where a product is manufactured or produced. It is essential to apply the correct tariffs and adhere to trade agreements, as different countries may have different tariff rates and trade restrictions.
- **Example:** A smartphone assembled in Vietnam using components from China might still be considered "Made in Vietnam" depending on trade agreements. This designation affects the tariffs applied when the product is imported into another country.



Understanding Tariffs: Incoterms

- **Description:** Incoterms are a set of rules published by the International Chamber of Commerce (ICC) that define the responsibilities of buyers and sellers in international trade. They clarify who is responsible for shipping, insurance, and other logistics, reducing misunderstandings.
- **Example:** One common Incoterm is FOB (Free on Board), where the seller is responsible for delivering the goods to the port of shipment and loading them onto the vessel. The buyer then takes over responsibility from that point onward.



Understanding Tariffs: Incoterms Summary



Country, City, Place of Origin					Transport	Country, City, Destination				
EXW	COST									
	RISK									
FCA	COST									
	RISK									
CPT	COST									
	RISK									
CIP	COST									
	RISK									
	INSURANCE									
DAP	COST									
	RISK									
DPU	COST									
	RISK									
DDP	COST									
	RISK									

CFR	COST									
	RISK									
FOB	COST									
	RISK									
FAS	COST									
	RISK									
CIF	COST									
	RISK									
	INSURANCE									

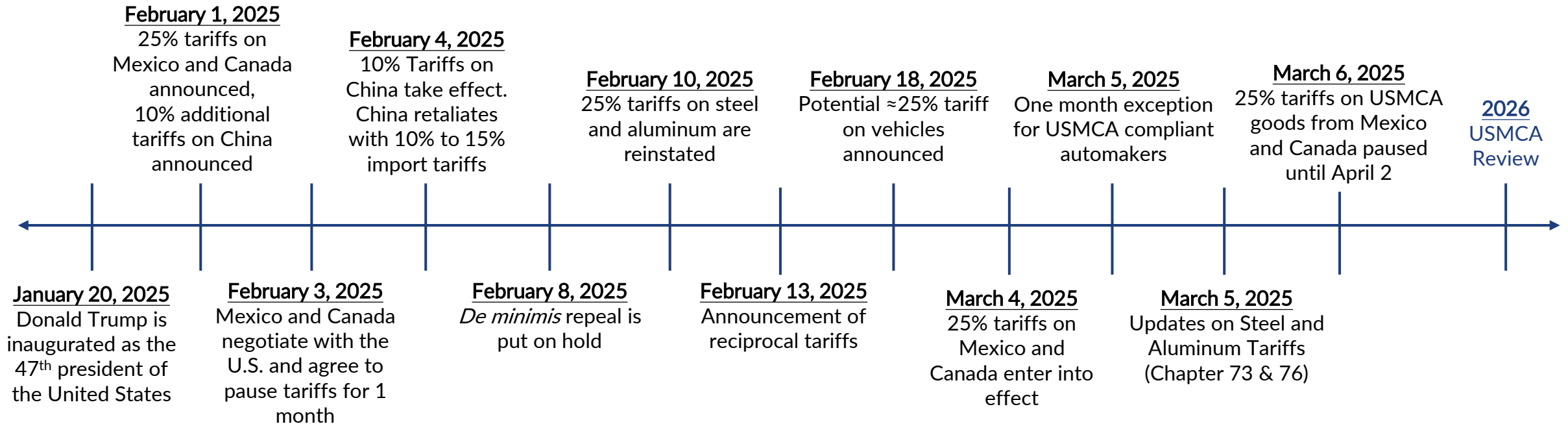
BUYER
 SELLER
 N/A



Trump Administration Tariffs



Trump Administration Tariff Timeline



Presidential Inauguration

Although the expectation was that President Trump would announce tariffs during his inauguration address, he instead discussed:

- **"America First" Economic Agenda:** Designed to prioritize American businesses and workers in trade agreements.
- **Establishing the External Revenue Service:** To collect tariffs on imported goods currently handled by U.S. Customs and Border Protection (CBP).
- **Addressing Trade Deficits:** Investigate the causes of persistent trade deficits and recommend measures, such as tariffs, to remedy them.
- **Identifying Unfair Trade Practices:** Review and address unfair trade practices by other countries to ensure fair competition.



February 1, 2025

25% tariffs on
Mexico and Canada
announced,
10% additional tariffs
on China announced

Tariffs on Mexico, Canada and China



- **Tariffs on Mexico:** A 25% tariff on all goods entering the United States from Mexico.
- **Tariffs on Canada:** A 25% tariff on all goods (except energy resources) entering the United States from Canada. Energy resources will be subject to a 10% tariff.
- **Tariffs on China:** A 10% tariff on imports from China.
 - **Trade Authority:** These tariffs are being implemented under the IEEPA (International Emergency Economic Powers).
 - **De Minimis:** Revoke duty-free "de minimis" treatment for goods not exceeding US\$800 from Mexico, Canada, and China.
 - **Drawback:** No drawback will be available for the duties imposed by these orders.
 - **Exclusions:** No exclusion process is mentioned in the Executive Orders.
 - **Escalation:** The U.S. may escalate these actions if other nations retaliate against U.S. exports and goods.



February 3, 2025
Mexico and Canada
negotiate with the U.S.
and agree to pause
tariffs for 1 month

Mexico & Canada Tariffs Delayed

After separate conversations between President Trump and President Sheinbaum; President Trump and Prime Minister Trudeau, tariffs on Mexico and Canada are delayed for one month.

 **Claudia Sheinbaum Pardo** 
@Claudiashein



Sostuvimos una buena conversación con el presidente Trump con mucho respeto a nuestra relación y la soberanía; llegamos a una serie de acuerdos:

1. México reforzará la frontera norte con 10 mil elementos de la Guardia Nacional de forma inmediata, para evitar el tráfico de drogas de México a Estados Unidos, en particular fentanilo.
2. Estados Unidos se compromete a trabajar para evitar el tráfico de armas de alto poder a México.
3. Nuestros equipos empezarán a trabajar hoy mismo en dos vertientes: seguridad y comercio.
4. Se ponen en pausa los aranceles por un mes a partir de ahora.

[Translate post](#)

9:21 · 03/02/25 · **10M** Views

10K 27K 97K 3.4K

 **Justin Trudeau** 
@JustinTrudeau

I just had a good call with President Trump. Canada is implementing our \$1.3 billion border plan — reinforcing the border with new choppers, technology and personnel, enhanced coordination with our American partners, and increased resources to stop the flow of fentanyl. Nearly 10,000 frontline personnel are and will be working on protecting the border.

In addition, Canada is making new commitments to appoint a Fentanyl Czar, we will list cartels as terrorists, ensure 24/7 eyes on the border, launch a Canada- U.S. Joint Strike Force to combat organized crime, fentanyl and money laundering. I have also signed a new intelligence directive on organized crime and fentanyl and we will be backing it with \$200 million.

Proposed tariffs will be paused for at least 30 days while we work together.

15:36 · 03/02/25 · **40M** Views

37K 44K 216K 16K



February 4, 2025

10% Tariffs on
China take effect.
China retaliates
with 10% to 15%
import tariffs

Tariffs on China

The U.S. imposed an additional 10% tariff on all Chinese goods effective February 4, 2025.

- **China's Retaliation:**

- 15% tariff on U.S. coal and liquefied natural gas
- 10% tariff on U.S. crude oil, agricultural machinery, large-displacement automobiles, and pickup trucks

- **Additional Measures:**

- Export controls on items related to tungsten and other rare earth elements
- Added U.S. companies Illumina and PVH Corp. to the "unreliable entity list"



Pause on the *De minimis* Repeal

- **Executive Order Signed:** President Trump signed an executive order delaying the repeal of the de minimis trade exemption for low-cost packages from China.
- **Reason for Delay:** The rapid change disrupted customs inspectors, postal and delivery services, and online retailers.
- **Future Plans:** This repeal is suspended until the Secretary of Commerce notifies the President that adequate systems are in place to process and collect tariff revenue fully and expediently.



Tariffs on Steel and Aluminum

President Trump announced Section 232 tariffs on steel and aluminum to protect and strengthen domestic industries.

These actions included reinstating a **25% tariff on steel** and increasing the tariff on **aluminum to 25%**, which will be implemented on **March 12**.

Among the main reforms that accompanied these measures are:

- Elimination of alternative agreements
- Enforcement of strict "melted and poured" standards
- Expansion of tariffs to include key derivative products
- Termination of all approved general exclusions
- Crackdown on incorrect tariff classification and tax evasion schemes



Reciprocal Tariffs

President Trump directed trade advisors to evaluate and propose reciprocal tariffs for countries that trade with the U.S.

- This policy seeks to match tariffs imposed on U.S. exports by other nations, **ensuring fair trade practices.**
- The Commerce Department will **complete its tariff analysis by April 1, 2025.**

Possible Implementation Strategies

- **Country-Level Reciprocity:** Apply a trading partner's average tariff rate on U.S. goods.
- **Product-Level Reciprocity:** Impose tariffs on a product-by-product basis for each trading partner.
- **Inclusion of Non-Tariff Barriers:** Consider additional costs like inspection fees and value-added taxes (VATs) in the tariff calculations.

Tariffs on Automobiles

On February 18, 2025, President Trump announced tariffs on imported automobiles.

- Auto tariffs are to be "in the neighborhood of 25%" and similar duties can be expected on semiconductors and pharmaceutical imports.
- Levies on automobiles would come as soon as April 2, the day after members of his cabinet are due to deliver reports to him outlining options for a range of import duties.
- For tariffs on semiconductor chips and drugs, the President intends to eventually increase the rate even more, "It'll go substantially higher over a course of a year". But he added that he wanted to give time for potentially affected companies to bring their factories to America to avoid tariffs.



Tariffs on Mexico and Canada

President Trump's blanket 25% tariffs on Mexico and Canada took effect on March 4.

- **Canada:** Prime Minister Justin Trudeau warned that Canada “will not back down from a fight.” He said he would implement a 25% tariff on C\$30 billion (\$20.7 billion) of US goods, followed by an additional C\$125 billion (\$86.2 billion) in 21 days' time.
- **Mexico:** President Claudia Sheinbaum said they would announce retaliatory measures on Sunday, March 9.



Exemption for Automakers

President Donald Trump will grant automakers a one-month exemption from the 25% tariffs on imports from **Canada and Mexico**, provided they adhere to the terms of the existing USMCA agreement.

- According to the White House, the announcement follows discussions between The President and executives from the “Big Three” automakers: Ford, General Motors, and Stellantis.
- Trump is open to reviewing other products that could be exempted from the tariffs implemented on March 4.



Update to Steel and Aluminum Tariffs

The U.S. Department of Commerce has announced updates regarding Section 232 tariffs on aluminum and steel imports.

Tariffs on products under Chapters 73 and 76 (mainly iron, steel, and aluminum) will start on March 12, 2025.

Tariffs on products outside Chapters 73 and 76 of the HTS Harmonized Tariff Schedule are delayed. The new effective date will be specified by the Secretary of Commerce.

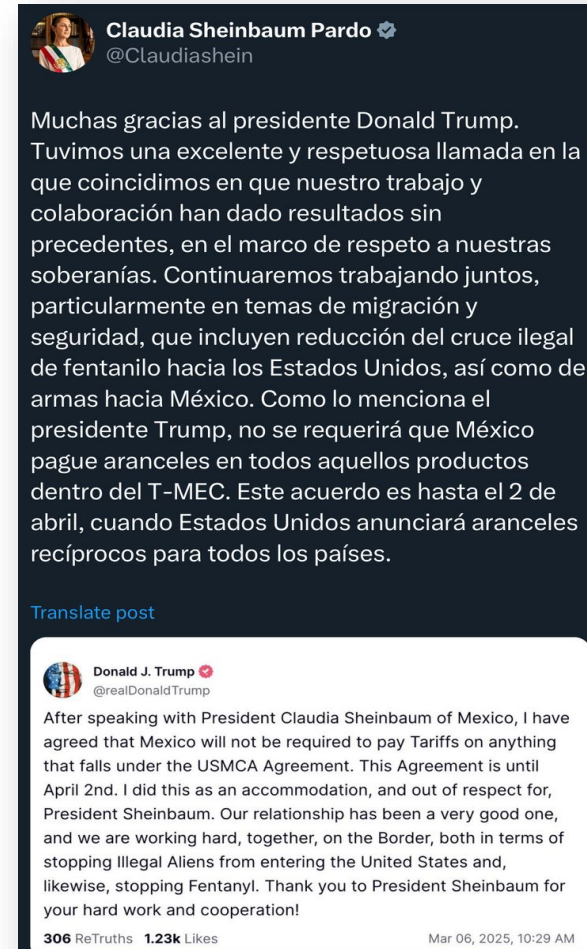


March 6, 2025
25% tariffs on USMCA
goods from Mexico
and Canada paused
until April 2

Mexico & Canada Tariffs Delayed...Again

As a result of the ongoing conversations and negotiations between President Trump and President Sheinbaum and President Trump and Prime Minister Trudeau, the Trump administration announced that tariffs will not be imposed on Mexican and Canadian goods and services that are compliant with the USMCA.

The suspension will remain in effect until April 2, 2025.



USMCA: Overview, Joint Review, and Potential Future



USMCA Overview

Background:

- USMCA replaced NAFTA and **entered into force on July 1, 2020**
- Centered on **bringing back jobs from Asia to North America** and rebalancing trade
- **Sunset clause is 16 years** — will be in place at least through July 2036
- **Reviewed every 6 years** – next review scheduled for 2026
- **Provides certainty** to North American and outside investors
- **Helps North America compete globally** as a region vs. other regions

NAFTA vs. USMCA:

What are the main differences?



Compliance



Increased regional content



Documentation



USMCA Joint Review

A USMCA joint review is scheduled for 2026. The USMCA review and extension process is new and untested, and its impact could range from modest adjustments to full-scale renegotiation.

- The U.S., Canadian, and Mexican governments are scheduled to participate in an open-ended review of USMCA in 2026, including reviewing recommendations and deciding whether to extend the agreement.
 - **Parties may submit recommendations for action before the joint review**, which could involve anything from minor adjustments to threats of withdrawal unless major changes are made.
 - If all parties confirm they want to continue with USMCA, the agreement will be extended for another 16 years. **Failure to extend USMCA in 2026 will introduce significant uncertainty and complicate investment and business planning.**



USMCA Potential Future

The current administration will influence the joint review process and could result in the following scenario:

- The joint review process may begin earlier than 2026
- Regional Value Content (RVC) requirements could be increased
- U.S.-specific RVC requirements could be introduced
- Further limitations may be placed on Chinese content and investments
- Tariff on products that don't meet USMCA Rules of Origin could increase
- The U.S. could withdraw from USMCA and impose tariffs



Offshoring, Nearshoring, Reshoring



Offshoring, Nearshoring, and Reshoring

- **Offshoring:** Relocating business processes or production to a distant country, typically to leverage lower labor costs or avoid tariff implications.
 - Example: Move manufacturing to Southeast Asia to avoid tariffs on Chinese goods.
- **Nearshoring:** Moving business processes or production to a nearby country, often to reduce costs while maintaining proximity.
 - Example: Shift manufacturing or sourcing to Mexico and Canada.
- **Reshoring:** Bringing business processes or production back to the company's original country mainly to respond to changes in trade policies.
 - Example: Shift production or sourcing back to the US.



Conclusions



Conclusions

- **Expect Higher Levels of Uncertainty:** Due to geopolitical tensions, policy shifts, and economic volatility, the global business environment is likely to remain uncertain over the next 6-12 months. Companies should brace for potential disruptions and stay informed about global developments.
- **Develop Multiple Scenarios and Contingency Plans:** Companies should create multiple scenarios and contingency plans to navigate this uncertainty. This involves identifying critical risks, defining plausible scenarios, and preparing strategies to address each. For example, a manufacturer might plan for supply chain disruptions by identifying alternative suppliers and logistics options.
- **Prioritize Agility and Adaptability:** Manufacturing companies should focus on becoming more agile and adaptable. This means quickly responding to changes in market demand, supply chain issues, and other unexpected events. Implementing flexible production processes and investing in workforce training can enhance agility.



Conclusions

- **Make Quick Decisions with Limited Data:** In a rapidly changing environment, companies will often need to make decisions quickly, even with limited data. Developing a decision-making framework that includes input from key stakeholders and leveraging real-time data can help make informed choices under pressure.
- **Leverage Technology for Better Decision-Making:** Utilizing advanced technologies like data analytics, AI, and machine learning can provide valuable insights and support faster decision-making. For instance, predictive analytics can help forecast demand and optimize inventory management.
- **Enhance Communication and Collaboration:** Effective communication and collaboration within the organization and with external partners are crucial. Establishing clear channels for information sharing and decision-making can improve responsiveness and coordination.



Plante Moran Trade Roadmap





International Trade Roadmap

Stay competitive. Maintain continuity. Remain compliant.

In a rapidly shifting international trade environment, businesses must adapt strategically. To navigate new tariff regulations and trade policies, aim for these milestones. The below action steps will help you capitalize on emerging opportunities while mitigating risks.

Milestone	Stay COMPETITIVE	Maintain CONTINUITY	Remain COMPLIANT
Document/validate bills of materials (BOMs) across product & service lines	Understand where and how value is added across entire portfolio.	Plan all supplier inputs and assembly required to satisfy customer production schedules.	Document supplier entities and parent organizations.
Validate Harmonized Tariff Schedule (HTS) & classifications	Ensure accurate tariff determination for cost of goods sold (COGS) calculations.	Minimize risk to national security, human rights, other non-tariff violations. Minimize sub-tier supply chain sourcing risk.	Apply correct tariff rates. Take advantage of allowable United States Trade Representative (USTR) exemptions. Factor applicable USTR quotas into production planning.
Validate country of origin (1st & 2nd tier)	Optimize sourcing to rules of origin classification for labor, value, and other requirements. Anticipate scenarios of customer sourcing requirements.	Optimize sourcing and logistics to minimize geopolitical and economic risk.	Ensure applicable tariff rate. Source strategically to avoid high-risk countries and regions of concern.
Review customer contracts	Negotiate and leverage the best payment and shipping terms.	Avoid using default international provisions in terms and conditions. Maximize inventory carrying provisions.	Comply with international provisions and requirements in all terms and conditions. Avoid blacklist designations.
Review supplier contracts	Mitigate risk exposure to supply stoppage, price negotiation, etc.	Avoid using default international provisions in terms and conditions.	Avoid using default international provisions and requirements in terms and conditions. Avoid blacklist designations.
Assess financial structure	Optimize currency exchange exposure.	Manage cash flow requirements.	Adhere to foreign assets controls and sanctions.
Mitigate risk exposure related to customs, tariffs, & contracts	Leverage all advantageous contractual financial terms (e.g., incoterms). Leverage all contractual operational terms (e.g., for inventory level, shipping requirements, etc.)	Identify contingency sourcing for production, logistics, and other critical inputs.	Secure support if needed with the U.S. Court of International Trade.
Optimize operational footprint	Reevaluate and adjust sourcing strategies for existing products to reduce overall landed costs.	Introduce dual sourcing strategies to lower disruption risks. Validate alternative materials and components to meet customer requirements.	Identify and use sub-tier suppliers with clear, sustainable, and well-documented material sources to improve supply chain integrity and reduce risk.

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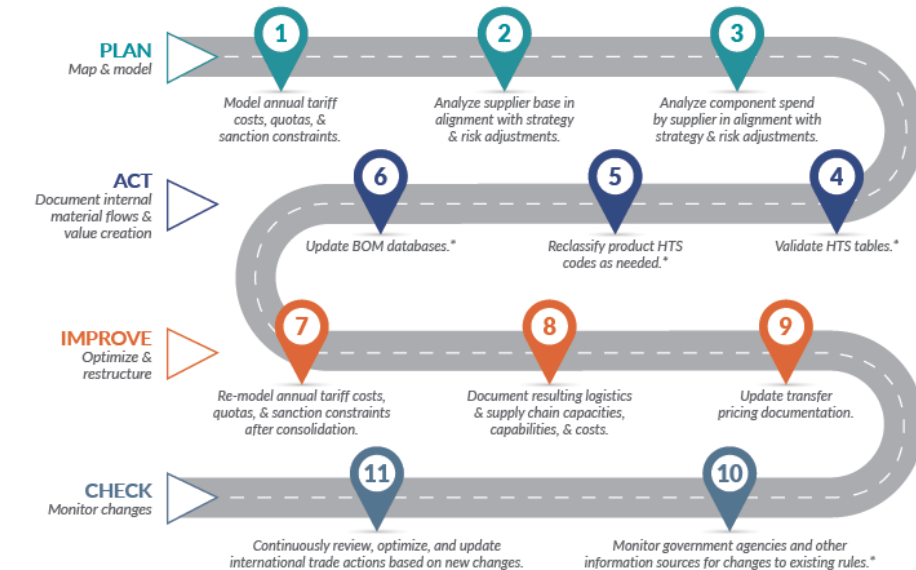
Start with a self-assessment

ASK YOURSELF...

- Do you have a central database of suppliers, production sites, components, & specifications across all BOMs?
- Do you have contingency plans for your first-tier & sub-tier suppliers (with respect to tariffs, production loss, logistics interruption, etc.)?
- What percentage of your U.S. cost of goods sold is comprised of imported parts, materials, & services?
- When was the last time you conducted a comprehensive HTS review, & what percentage of your import value did this review cover?
- Do you have access to a central database of all your direct suppliers' sourcing?
- When was the last time your transfer pricing methods were documented?
- Do you track your retail production input separate from your service parts & third-party reseller revenue?

How we can help you progress on your roadmap

Our team at Plante Moran can consult with you every step of the way as you adapt to the new international trade environment. We have the expertise and capabilities to serve you in the following areas. Contact us to learn more about how we can help.



*For these activities, we would work in partnership with your law firm, customs broker, or preferred service provider. We can also refer you to other relationships within our broad professional network as requested.

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Thank You!

Q&A Session

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