

Spring 2025

Tariffs and Business Planning

Many people in business seemed to be caught off guard by the tariffs that were put in place in early April. Although the current Administration had been signaling for several weeks that tariffs were coming, preparing for their arrival has been an all-encompassing task. The amount and scope of the tariffs have been surprising.

While my prior newsletter ([Business Planning in an Era of Uncertainty](#)) has useful information, it is not specific to the current environment. When the tariffs were announced I tried to research and learn more about it. Over the past few weeks, I attended web seminars, read articles and watched news reports. I thought it might be useful to share some of the things I learned in this newsletter.

General Resources

Overall, the US government and trade-focused organizations seem to be more supportive of companies that export goods than of those that import goods. Three websites that might have useful information are:

World Trade Centers Association:
<https://www.wtca.org/>

Foreign Trade Zones: <https://www.trade.gov/about-ftzs>

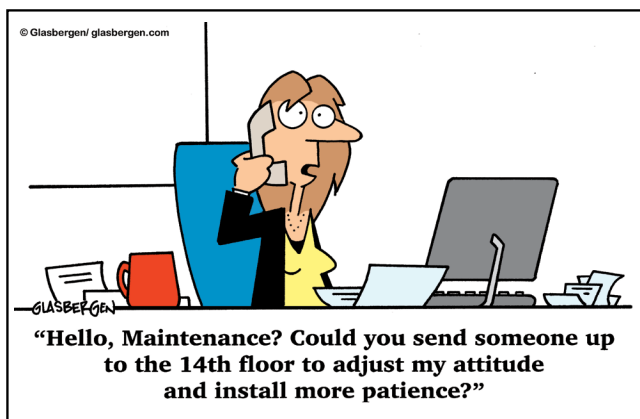
Summary of World Trade Organization valuation methods for imported goods: <https://www.trade.gov/trade-guide-customs-valuation>

Details Matter

A consistent theme in public reports is that when tariffs and other trade barriers in the US were low, details in cross-border business dealings generally didn't matter much to US-based companies. But

with high tariffs now in place, many details are quite important. Public reports indicate that many US businesses are taking the following steps to help deal with tariffs:

- Look at how to calculate the value of imported goods for US Customs purposes. Some costs associated with the product may not be subject to tariffs (such as shipping, handling, customs, royalty and insurance costs in addition to value added taxes).
- Look into product classifications for import/export purposes because they can have an impact on tariffs.
- Consider tariff engineering, which refers to making modifications to a product or to the way in which a product is manufactured to lower tariffs.
- Challenge shipping costs to lower overall costs.
- For multi-division companies, if transfer prices haven't been updated in a while consider looking at them now. Transfer prices can have an impact on tariffs.
- Consider looking at who will be the importer of record (supplier or customer), and how the cost of higher tariffs will be shared.
- Place more emphasis on timely communications with customers, suppliers, bankers and government agencies to chart a course through all the changes.
- Consider revisiting affected customer / supplier contracts and renegotiating important provisions.



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The effect on relationships between suppliers and customers seems to be comprehensive. In some cases, public reports indicate that it may be difficult for suppliers and customers to reach any agreement while things are changing so much. As a result, suppliers and customers may simply put orders on hold until things settle down and everybody gets a better feel for the new landscape.

Bringing production back to the US, or to a country nearer to the US (Canada and Mexico) can seem attractive in certain situations, but it is generally not something that is easily or quickly done. If they are moved, manufacturing processes will likely require re-engineering, and the regulatory environment can be much stricter in a new location.

Look for Silver Linings

Based on reports that I see, it seems unlikely that things will be resolved quickly between the US and its trading partners. Likewise, many steps that a company can take to mitigate the effect of tariffs will take some time as well. As an example, getting set up to participate in a Foreign Trade Zone can take anywhere from 4 months to one year.

For the time being, it seems that a number of public reports are implicitly recommending the following game plan: pay attention to details, communicate actively to find solutions, keep an open mind about potential solutions, and (as one presenter in a webcast discussed) look for silver linings when possible – they are hard to find, but they are out there.

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**Corporate Value
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Please contact Ronald DiMattia at Corporate Value Partners at (216) 741-1330 or ron@corporatevaluepartners.com with any questions or if you need help with a valuation or corporate finance matter.

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