Tariffs & Trade 101: Glossary of Terms

The promotional products industry relies on a global supply chain. To provide a basic framework for understanding how tariffs, trade agreements and other instruments of international commerce work, PPAI has assembled the following list of commonly used terms and definitions:

Bill of Lading (B/L or BOL) A Bill of Lading is a shipping document issued by the carrier of the goods to the client. It serves as evidence of the contract of carriage between the carrier and the cargo owner.

CARM / CBSA Assessment and Revenue Management The Canada Border Services Agency (CBSA) assesses and collects duties and taxes on commercial goods imported into Canada. The CBSA Assessment and Revenue Management (CARM) system is the official system of record for the collection of duties and taxes for commercial goods imported into Canada.

Carrier Carrier services are shipping companies that handle larger parcels (over 150 pounds) and shipments and provide logistics support, including but not limited to loading cargo ships or planes and shipping global freight.

CBP / Customs & Border Protection U.S. Customs & Border Protection is a unified border security agency that manages federal customs, immigration, border security and agricultural protection activities. CBP officials at ports of entry are tasked with assessing and collecting duties/ tariffs/taxes on commercial goods imported into the U.S., monitoring compliance with trade regulations and performing audits when deemed necessary.

COB / Confirmed on Board (aka SOB / Shipped on Board) A Bill of Lading should include a Confirmed on Board or Shipped on Board date to indicate that the goods have been physically loaded onto the vessel for transport and mark the point at which risk and ownership transfer from the seller to the buyer.

Consignee A Consignee is the recipient of goods listed on the Bill of Lading and is generally the owner of the shipped goods and the person or entity legally required to accept the shipment (unless otherwise specified). The consignee's address is typically listed on the BOL as the delivery destination.

The Consignee is not always the buyer – it can also be the importer of record responsible for paying duties and taxes, a client of the buyer or a freight forwarder acting as an intermediary.

Contract of Carriage A Contract of Carriage is an agreement between a carrier (shipping company) and a shipper or consignee (importer/owner) that outlines the terms and conditions for the transportation of cargo, including liabilities and responsibilities for loss, damage or delay.

COO / Country of Origin The nation where a product was produced or where it underwent its last substantial transformation is its Country of Origin. This information is used to determine what tariffs and trade agreements apply to imported goods.

The concept of "substantial transformation" – such as the decoration and customization integral to the promotional products industry – is key in determining COO, particularly when goods are processed in multiple countries.

Read more: 'Misconceptions And Confusion:' Breaking Down Country Of Origin For Tariffs and Global Trade War Exposes Promo's Transparency Gap

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Courier A Courier is a private (not postal) logistics service, such as FedEx, UPS or DHL, that delivers smaller individual shipments/packages and with greater speed than a freight or postal carrier.

Customs Bond / Import Bond A Customs or Import Bond is a financial agreement between an importer and U.S. Customs (CBP) that enables the importer to clear a shipment and sell imported goods, dependent on a promise to pay the tariffs and other fees later. This arrangement can expedite receipt of orders so those goods can be sold and funds raised to pay the duties/tariffs/taxes.

Customs Broker / Import Broker A Customs Broker helps importers and exporters navigate international trade regulations and customs procedures. Businesses hire these licensed professionals or firms to handle paperwork, ensure compliance and manage the clearance process for goods shipped across international borders.

Read more: PPAI Solutions Center | Shipping

DDP / Delivered Duty Paid Delivered Duty Paid is a commercial agreement in which the seller takes responsibility for all costs and risks associated with delivering goods to the buyer, including export and import duties, taxes and transportation. Essentially, the seller covers everything until the buyer receives the goods at their doorstep.

This can be a risky strategy, as it requires the buyer to place full trust in the seller's complete compliance while still retaining all the hazards of noncompliance.

Read more: Beware Of 'Delivery Duty Paid' Solicitations Amid Tariffs

De Minimis Exemption (aka Section 321 Exemption) The Latin phrase "de minimis" translates to "about minimal things," and it's a legal concept referring to something so small or insignificant that it's not worth attention or legal action. In the context of international trade, the De Minimis Exemption is a rule that allows low-value imports to enter a country duty-free, often with simplified customs procedures.

In the U.S., this typically means goods valued at or under $800 (in the country of shipment) per person, per day can enter the country without tariffs. The U.S. de minimis rule is outlined in Section 321 of the Tariff Act of 1930 (and amended in 2020).

Read more: Trump Raises Tariffs On Chinese Imports Previously Exempt Under De Minimis and De Minimis Tariffs Slashed After US-China Deal

Duty-Free "Duty" is another word for tariff or tax, and goods that are Duty-Free are exempt from tariffs and can be purchased without paying import fees/taxes.

HS / Harmonized System The Harmonized System is an internationally standardized numerical method for classifying traded goods and is used by over 200 countries to identify goods and apply tariffs. It's administered by the World Customs Organization and serves as the foundation for import and export classification systems.

The basic HS is a 6-digit code that identifies specific commodity groups, and different countries often add digits to create their own national tariff schedules, such as the Harmonized Tariff Schedule in the U.S.

HTS / Harmonized Tariff Schedule The Harmonized Tariff Schedule of the United States establishes the tariff rates and statistical categories for all merchandise imported into the U.S. The HTS is based on the international Harmonized System and is managed by the U.S. International Trade Commission.

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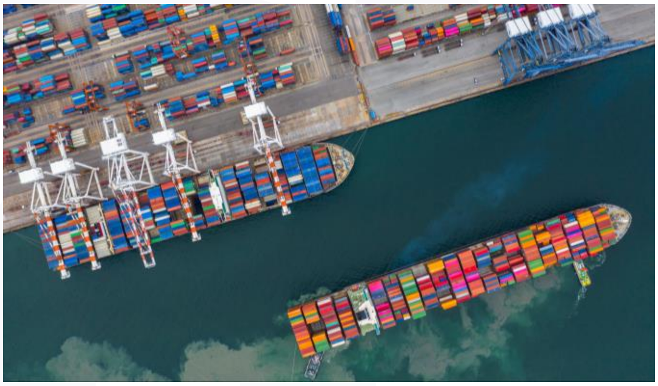
IEEPA / International Emergency Economic Powers Act The International Emergency Economic Powers Act is a U.S. federal law enacted in 1977 that grants the president broad authority to regulate certain economic transactions during a declared national emergency. This includes regulating international transactions and imposing sanctions. Congress can challenge and terminate a national emergency through a joint resolution of disapproval.

Read more: Legal Challenges May Prevent Potential Mexico/Canada Tariffs



IMMEX / Manufacturing, Maquiladora and Export Services Industries Program To operate a maquiladora (duty-free factory) in Mexico, a company must register with IMMEX, which is administered by the Mexican government, and choose one of its five programs: industrial, services, shelter, third-party or holding. Companies must meet specific requirements annually to participate, such as exporting at least $500,000 (U.S.) or at least 10% of their total sales.

Incoterms Incoterms – short for international commercial terms – are a set of globally recognized phrases and acronyms published by the International Chamber of Commerce as a standard shorthand since 1936. These terms are intended to facilitate commerce around the world by clarifying the obligations of international buyers and sellers in the global transportation of goods.

The 11 current Incoterms (last updated in 2020) are:

- Cost Insurance and Freight (CIF)
- Carriage and Insurance Paid To (CIP)
- Cost and Freight (CFR)
- Carriage Paid To (CPT)
- Delivered at Place (DAP)
- Delivered Duty Paid (DDP)
- Delivered at Place Unloaded (DPU)
- EXW - Ex Works (EXW)
- Free Alongside Ship (FAS)
- Free Carrier (FCA)
- Free on Board (FOB)

IOR / Importer of Record The Importer of Record is the legal entity responsible for ensuring that imported goods comply with all customs and legal requirements of the importing country, such as product classification, documentation, payment of duties and more. The IOR can be the owner or purchaser of the imported goods, but it can also be a designated customs broker that specializes in compliance, licensing and global trade.

Made in USA (rules) In August 2021, the Federal Trade Commission finalized the Made in USA Labeling Rule, which prohibits the use of “Made in the USA” or “Made in America” claims when a product fails to meet the legal made-in-the-USA standard, which mandates that the product is:

- “All or virtually all” made in the United States.
- Made using American-made components and ingredients.

Companies can be subject to stiff penalties if they use an unqualified “Made in the USA” claim for a product that is not “all or virtually all” made in the United States. The rule applies to product labels, as well as any marketing materials.

Read more: Understanding ‘Made In The USA’ Labeling Rules

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Maquiladoras Maquiladoras are factories in Latin American countries (primarily Mexico, near the U.S. border) that are owned and run by a company based in another country. These sites import raw materials and export their products to the country (primarily the U.S. and Canada). These factories import raw materials duty-free for manufacturing and export the finished products, also duty-free. To operate a maquiladora in Mexico, a company must register with IMMEX and join one of its five programs.

Section 301 Section 301 of the Trade Act of 1974 authorizes the U.S. government to take action – such as imposing tariffs or other retaliatory measures – against foreign governments that engage in unfair trade practices that burden or restrict U.S. commerce. It also established fast-track authority for the president to negotiate trade deals.

The U.S. Trade Representative has the authority to investigate alleged unfair trade practices, make recommendations and grant exclusions. USTR is required to review (and potentially modify or end) Section 301 tariffs every four years. The U.S. has used Section 301 tariffs extensively against China, citing concerns about technology, intellectual property and market access.

Read more: Section 301 Trade Remedies Frequently Asked Questions (CBP)

Tariff A tariff is a tax imposed by a government on goods imported from other countries. Tariffs, usually a percentage of a product's price or value, can be used to raise revenue, protect domestic industries from foreign competition or address unfair trade practices.

After a tariff is imposed, the added costs for imported goods are often passed on from businesses to customers, increasing prices overall. Tariffs can also disrupt supply chains and trigger retaliatory tariffs from other countries (aka reciprocal tariffs, often described as "tit-for-tat").

Read more: Trump Unveils Reciprocal Tariffs: 'Declaration Of Economic Independence'

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Trade Agreement A trade agreement is a formal agreement between two or more countries that sets the terms of trade, including tariffs, quotas and other regulations, between them. Historically, U.S. trade agreements are often designed to support U.S. jobs, lower costs for American businesses, diversify supply chains and open markets for American goods. The World Trade Organization has established rules by consensus to help standardize the terms of trade agreements worldwide.

Read more: LEAD 2025: Supporting Trade Agreements

Trade Agreements Important to Promo:

AGOA / African Growth and Opportunity Act Enacted in May 2020, the African Growth and Opportunity Act provides duty-free access to the U.S. market for a wide range of products, including textiles, apparel and other goods. AGOA currently covers 32 sub-Saharan African countries. Eligibility is contingent upon meeting specific criteria, such as progress toward a market-based economy and improved labor rights. *Read more: SanMar Testifies Before The U.S. Senate In Support Of AGOA Program*

GSP / Generalized System of Preferences The Generalized System of Preferences was a U.S. trade program that provided nonreciprocal, duty-free treatment for certain imports from over 100 eligible developing countries. Established in 1074, GSP expired on December 31, 2020. Since then, American companies have paid more than $3.5 billion in tariffs on imported products that were duty-free under GSP.

Read more: Industry Groups Urge Congress To Renew The GSP

USMCA / United States-Mexico-Canada Agreement The United States-Mexico-Canada Agreement is a trilateral trade agreement between the United States, Mexico and Canada. It replaced the North American Free Trade Agreement (NAFTA, signed in 1992) on July 1, 2020. Products must meet specific requirements to qualify for preferential tariff treatment under USMCA, including:

- A minimum percentage of North American content (known as Regional Value Content/RVC).
- A wage requirement for automotive goods.
- Steel and aluminum sourcing provisions.

Also, importers must maintain product eligibility documentation for at least five years from the date of import.

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USTR / United States Trade Representative The Office of the United States Trade Representative (USTR) is an agency of more than 200 professionals with decades of specialized experience in global trade issues. The agency is headed by a presidential appointee who negotiates directly with foreign governments to create trade agreements, resolve disputes and participate in global trade policy organizations. USTR personnel also meet with governments, business groups, legislators and public interest groups to gather input on trade issues and discuss trade policy.

WTO / World Trade Organization The World Trade Organization is a global international organization that manages the rules of trade between nations according to the WTO agreements, which have been negotiated and signed by most of the world's trading nations and ratified by their governments. The goal is to ensure that trade flows as smoothly, predictably and freely as possible.

The WTO is run by its member governments on a consensus basis and operates a global system of trade rules, acts as a forum for negotiating trade agreements, settles trade disputes between members and supports the needs of developing countries.