

TRADE IN GOODS AND SERVICES

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2025 Global Trade Academy



Overview – Trade in Goods

Categories of Trading Partners

- Historically
- Today

Customs Administration

- Classification
- Valuation
- Origin & Eligibility

Harmonized Tariff Schedule of the United States Revision 10 (2025)

Annotated for Statistical Reporting Purposes

XV
73-33

Heading/ Subheading	Stat. Suf- fix	Article Description	Unit of Quantity	Rates of Duty			
				General	1		2
					Special		
7318		Screws, bolts, nuts, coach screws, screw hooks, rivets, cotters, cotter pins, washers (including spring washers) and similar articles, of iron or steel:					
		Threaded articles:					
7318.11.00	00	Coach screws.....	kg.....	12.5% ^{3/1/}	Free (A+, AU, B, BH, CL, CO, D, E, IL, JO, KR, MA, OM, P, PA, PE, S, SG)	25%	
7318.12.00	00	Other wood screws.....	kg.....	12.5% ^{3/1/}	Free (A+, AU, B, BH, CL, CO, D, E, IL, JO, KR, MA, OM, P, PA, PE, S, SG)	25%	
7318.13.00		Screw hooks and screw rings.....		5.7% ^{3/1/}	Free (A, AU, B, BH, CL, CO, D, E, IL, JO, KR, MA, OM, P, PA, PE, S, SG)	45%	
	30	Having shanks or threads with a diameter of less than 6 mm.....	kg				
	60	Having shanks or threads with a diameter of 6 mm or more.....	kg				
7318.14		Self-tapping screws:					
7318.14.10		Having shanks or threads with a diameter of less than 6 mm.....		6.2% ^{3/1/}	Free (A+, AU, B, BH, CL, CO, D, E, IL, JO, KR, MA, OM, P, PA, PE, S, SG)	45%	
	30	Of stainless steel.....	kg		3.1% (JP)		
	60	Other.....	kg				
7318.14.50		Having shanks or threads with a diameter of 6 mm or more.....		8.6% ^{3/1/}	Free (A+, AU, B, BH, CL, CO, D, E, IL, JO, KR, MA, OM, P, PA, PE, S, SG)	45%	
	20	Of stainless steel.....	kg		4.3% (JP)		
	80	Other.....	kg				

Tariffs – Key Terms

- Bound Tariffs: Tariff commitments scheduled by WTO Members, generally considered the maximum allowed tariff.
- Applied Tariffs: Actual tariff that a country imposes. May be raised within bindings but still must apply on an MFN basis.
- Base Rate: The tariff rate that forms the starting point for tariff negotiations and reductions – usually the bound rate from a prior negotiation, or the applied rate.
- Ad Valorem: As a percentage of value of imports
- Specific: As a monetary amount per unit (such as cents per kg)
- Compound: Combination of ad valorem and specific, such as 12.5 percent plus 2 cents per liter.

Legal Character of Tariff Schedules

Internationally – schedules (of bound rates) are treaty text and interpreted similarly to other treaty text

In United States – schedule (of applied rates) is statutory in character

- Generally needs an Act of Congress to change
- But can be changed by President using delegated authority like 301, 232, etc.
- Major current question is whether IEEPA is a delegation of tariff-setting authority
- “Temporary” tariffs are published in Chapter 99 of the HTSUS

There are lots of ways to protect without stacking tariffs or raising tariff rates:

- Discrimination (denial of national treatment)
- Limits on admissibility
- Hiking customs values on which value-based tariffs are applied
- Etc.

But stacked tariffs are currently in vogue in the United States – why might this be so?

Overview of the United States' tariffs announced between 1 February and 17 October 2025

Additional tariffs currently in effect on top of pre-January 2025 tariffs, based on presidential actions.

%	Country-specific tariffs
+10-41%	ranging from 10% to 41%, amendment of Executive Order 14257, Annex I
+10	on countries that are not covered under the amended Executive Order 14257, Annex I
±0	exempted products under Executive Order 14257, Annex II, including updates as of 8 September 2025
%	Sectoral national security tariffs, Section 232 (exempted from new country-specific tariffs)
+50	on iron or steel and derivatives of steel; except for 🇬🇧 the United Kingdom 25%
+50	on aluminium and derivatives; except for 🇬🇧 the United Kingdom 25% and 🇷🇺 Russian Federation 200%
+50	on copper and derivatives
+25	on automobiles and parts; except for 🇬🇧 the United Kingdom (≤10%), and 🇪🇺 the European Union and 🇯🇵 Japan (≥15%)
+10-25%	on timber, lumber and derivatives; except for 🇬🇧 the United Kingdom (10%), and 🇪🇺 the European Union and 🇯🇵 Japan (≤15%)
%	Other tariff treatment pursuant to "deals", "unilateral preferences" and international emergency measures (IEEPA)
+50	on goods from 🇮🇳 India—a 25% country-specific tariff, plus an additional 25% penalty related to oil imports from the Russian Federation
+50	on goods from 🇧🇷 Brazil—a 10% country-specific tariff, plus an additional 40% duty (IEEPA, international emergency) if not exempted
0-38%	expiry of trade preferences under AGOA for sub-Saharan African economies and Hope/Help scheme for Haiti on the 30th September 2025
+35	on non-USMCA compliant goods from 🇨🇦 Canada
+30	on goods from 🇨🇳 China, including Hong Kong SAR—a 10% baseline tariff, plus an additional 20% fentanyl tariff—until 10 November 2025
+25	on non-USMCA compliant goods from 🇲🇽 Mexico
min 15%	on goods from 🇯🇵 Japan and the 🇪🇺 European Union tariffs increased to 15% if they were lower; for 🇪🇺 MFN rates apply to certain products
+10	on non-USMCA originating potash from 🇨🇦 Canada and 🇲🇽 Mexico
+10	on non-USMCA originating energy-related products from 🇨🇦 Canada

CUSTOMS ADMINISTRATION -- THREE KEY QUESTIONS

To determine what customs duties are owed, one generally needs to know the **classification**, **value** and **origin** of the imported goods.

WHAT IS IT?

FROM WHERE?

X PERCENT OF WHAT?

Classification – Coordination Via HS Convention

- Tariff commitments are made based on a classification of the product within the Harmonized System (HS).
 - World Customs Organization
 - HS Explanatory Notes
 - Individual Section and Chapter Notes and classification rulings

**INTERNATIONAL CONVENTION ON
THE HARMONIZED COMMODITY DESCRIPTION
AND CODING SYSTEM**

(done at Brussels on 14 June 1983)

*(As amended by the Protocol of Amendment to the International Convention on the
Harmonized Commodity Description and Coding System of 24 June 1986)*

*(As amended by the Recommendation of the Customs Co-Operation Council concerning the
amendment of the International Convention on the Harmonized Commodity Description and
Coding System of 30 June 2018¹)*

PREAMBLE

Harmonized Commodity Description and Coding System (HS)

- **Ch 1-5:** Live Animals; Animal Products
- **Ch 6-14:** Vegetable Products
- **Ch 15:** Animal or Vegetable Fats and Oils and Their Cleavage Products; Prepared Edible Fats . . .
- **Ch 16-24:** Prepared Foodstuffs; Beverages, Spirits, and Vinegar; Tobacco and Manufactured Tobacco Substitutes
- **Ch 25-27:** Mineral Products
- **Ch 28-38:** Products of the Chemical or Allied Industries
- **Ch 39-40:** Plastics and Articles Thereof; Rubber and Articles Thereof
- **Ch 41-43:** Raw Hides and Skins, Leather, Furskins and Articles Thereof; Saddlery and Harness; Travel Goods . . .
- **Ch 44-46:** Wood and Articles of Wood; Wood Charcoal; Cork and Articles of Cork; Manufactures of Straw, of Esparto . . .
- **Ch 47-49:** Pulp of Wood or of Other Fibrous Cellulosic Material; Waste and Scrap of Paper or Paperboard; Paper . . .
- **Ch 50-63:** Textile and Textile Articles
- **Ch 64-67:** Footwear, Headgear, Umbrellas, Sun Umbrellas, Walking Sticks, Seatsticks, Whips, Riding-Crops and Parts . . .
- **Ch 68-70:** Articles of Stone, Plaster, Cement, Asbestos, Mica or Similar Materials; Ceramic Products; Glass . . .
- **Ch 71:** Natural or Cultured Pearls, Precious or Semiprecious Stones, Precious Metals, Metals Clad with Precious . . .
- **Ch 72-83:** Base Metals and Articles of Base Metal
- **Ch 84-85:** Machinery and Mechanical Appliances; Electrical Equipment; Parts Thereof; Sound Recorders and . . .
- **Ch 86-89:** Vehicles, Aircraft, Vessels and Associated Transport Equipment
- **Ch 90-92:** Optical, Photographic, Cinematographic, Measuring, Checking, Precision, Medical or Surgical Instruments . . .
- **Ch 93:** Arms and Ammunition; Parts and Accessories Thereof
- **Ch 94-96:** Miscellaneous Manufactured Articles [Furniture; lamps; prefab buildings; toys, games and sports requisites]
- **Ch 97-98:** Works of Art, Collectors' Pieces and Antiques

Customs Valuation

- **Added importance in a high-tariff environment**
- **Primary basis for customs value is transaction value**
 - “Price actually paid or payable” plus adjustments
 - *Bona fide* sale for exportation
 - Additions such as packing costs, selling commission, assists, royalties and licensing fees
 - Deductions such as international transportation, insurance, buying commission, customs duties
- **Other methods when transaction value is not acceptable as customs value**
- **Int’l rules** -- *WTO Agreement on Implementation of Article VII of GATT 1994*
- **Challenges associated with branded goods**

Relevance to the “*who pays*” debate

Origin

- Determine the country/region of origin of imported merchandise
- Could affect rate of duty, admissibility, quota eligibility, government procurement, and marking requirements
- Non-Preferential Rules of Origin
- Rules of Eligibility for Preferential Arrangements

Approaches to Determining Origin

- **Substantial Transformation** -- new or differential article of commerce
- **Tariff shift approach**
- **Value content rules**
 - Limits on originating/non-originating content as % of the value of the good
- **Process rules**
 - Specific processes that must be or cannot be completed on the products
- **Emerging issue**
 - Focusing on producer's capital stack rather than on where industrial processes occur
 - Implications for broader "*in rem*" character of trade law at national and international levels

Preferential Arrangements – Product-Specific Eligibility Rules

- Free Trade Agreements
- Preference programs
- Special rules like Yarn-Forward



Overview – Trade in Services

- Why does services trade matter?
- GATS disciplines
- Linkage between services and digital trade

THE SERVICES SECTOR IS THE MOST DYNAMIC COMPONENT OF INTERNATIONAL TRADE

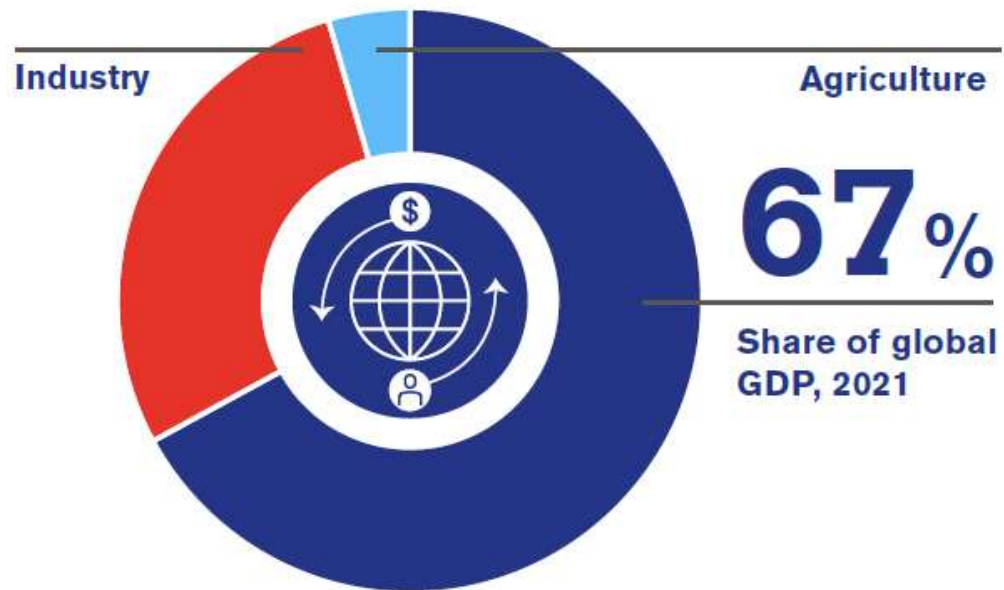


Services account for

50%

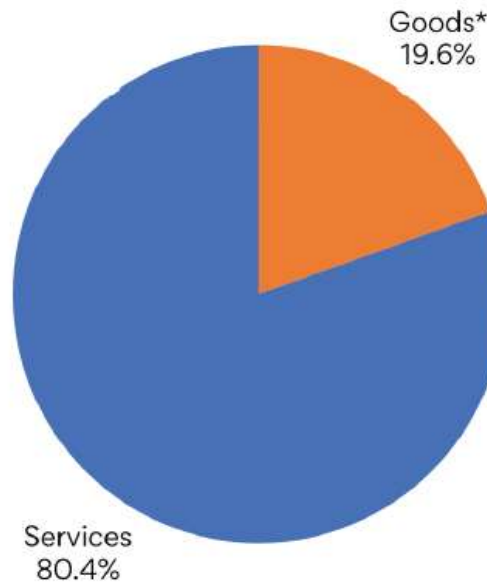
of global trade in value-added terms

Services sector is larger than agriculture and industry combined

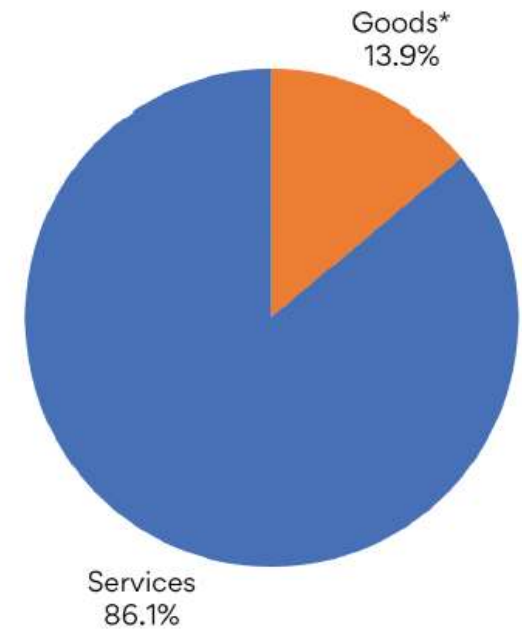


The U.S. is a services economy

US PRIVATE SECTOR GDP
BY INDUSTRY, 2022



US PRIVATE SECTOR GDP
BY EMPLOYMENT, 2022



Source: Dept. of Commerce, Bureau of economic Analysis.
Goods include agriculture, forestry, mining, and construction.

Services are increasingly being delivered digitally



Digitally delivered services exports were worth

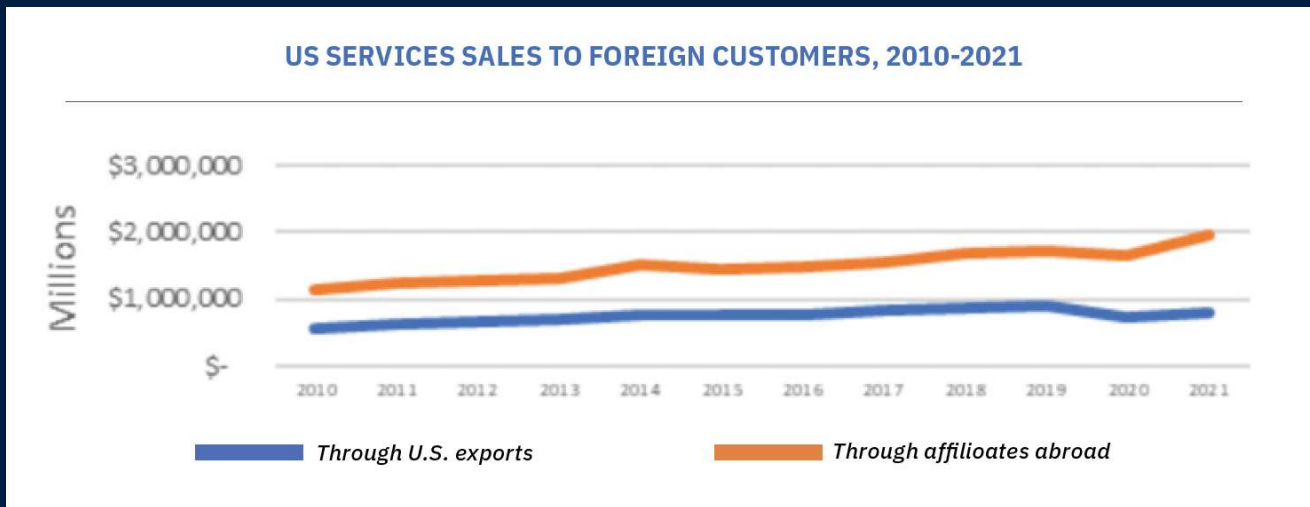
US\$ **3.82 trillion** in 2022



54% of total global services exports were delivered digitally in 2022

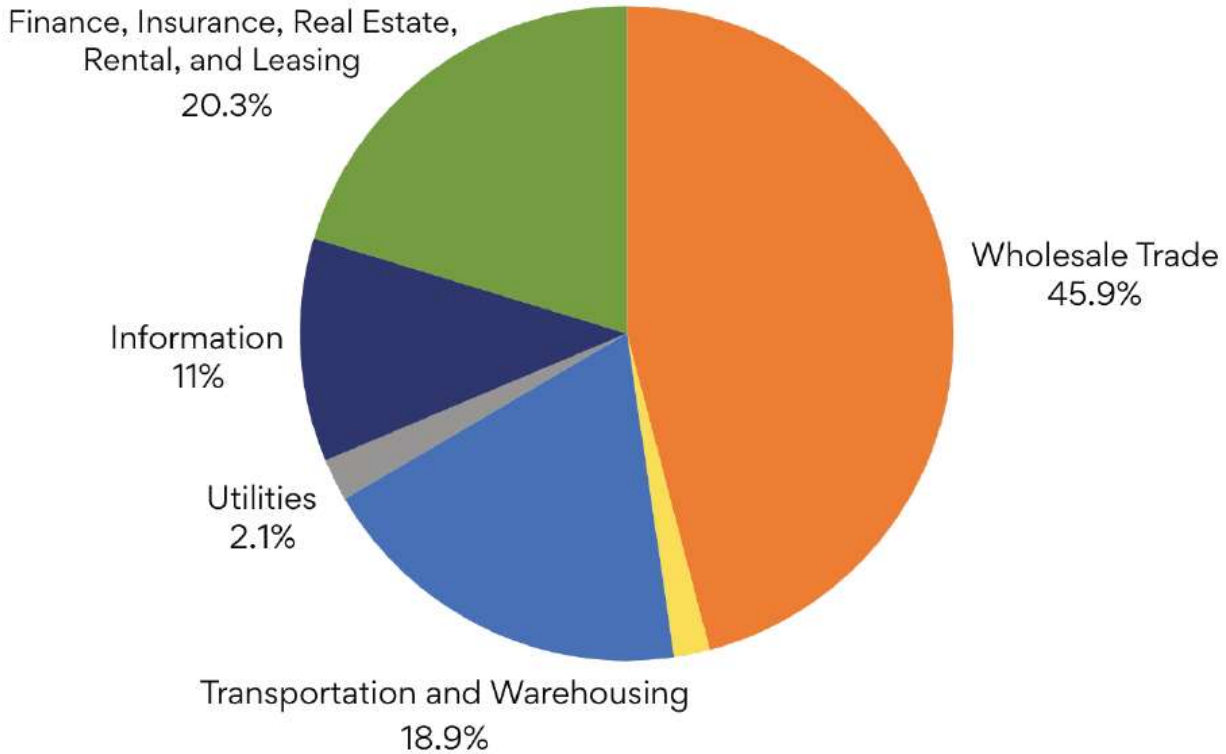


+375% The increase in digitally delivered services exports since 2005



Importance of U.S. Foreign Affiliates

**MANUFACTURER'S USE OF SERVICES INPUTS
AS SHARE OF TOTAL INPUTS, 2022 = 27%**



**Services support
virtually every
sector of the
economy**

Modes of Services Trade Under GATS

- The GATS is the first and only multilateral trade agreement to cover trade in services.
- The agreement established the 4 modes of services trade:
 - Mode 1 - Cross Border Trade
 - Mode 2 - Consumption Abroad
 - Mode 3 - Commercial Presence
 - Mode 4 - Presence of Natural Persons

12 Core Service Sectors

1. Business services
2. Communication services
3. Construction and related engineering services
4. Distribution services
5. Educational services
6. Environmental services
7. Financial services
8. Health-related and social services
9. Tourism and travel-related services
10. Recreational, cultural and sporting services
11. Transport services
12. Other services not included elsewhere

W120CPC classification system

Exclusions

- Aviation
- Government services

Services are not:

- Manufacturing
- Production
- Natural resources

How the GATS is Organized

General Obligations

- Applied directly and automatically to *all members-states and services*

Specific Commitments (includes market access)

Scheduled Commitments (based on a positive list)

- Each Member has a schedule of commitments identifying services for which they guarantee market access & national treatment AND any limitations (or exemptions) that may be attached to those guarantees.

Annexes

- Includes details and clarifications on member's schedules, including more information on exemptions.

GATS: Basic Disciplines

General obligations (apply to all services)

- **Most-favored-nation (MFN) treatment:** MFN allows the best access conditions that have been given to one country automatically be extended to all members participating in the agreement.
- **Transparency:** GATS members are required to publish all measures of general application and establish national enquiry points mandated to respond to other members' information requests.

Specific commitments

- **Market Access:** All members must list which services sectors they are willing to liberalize and open to foreign competition. This is called a positive list. Market access commitments are specified in each individual member's schedule.
- **National treatment:** Foreign companies must be treated the same, fair manner as domestic companies in any given member-state economic market. These commitments (and limitations) are also specific to each member's schedule.

GATS obligations apply to WTO Members' measures affecting trade in services at local, regional and central level.

Modification of Schedules: Member can notify intent to modify; affected Members can then trigger negotiations

Exceptions: balance of payments, general exceptions, essential security.

FTAs: core chapters

Chapter on Investment (applies to goods & services)

- Ensures national treatment and most-favored nation treatment within investment.

Chapter on Cross Border Trade in Services

- Ensures national treatment and most-favored nation treatment, market access, and local presence. Can also include annexes on professional services and express delivery services within this chapter.

Chapter on Telecommunications

- Ensures that telecommunications companies have reasonable access to networks of other suppliers in order to interconnect with one another, fair access to government-controlled resources, transparency in rulemaking, a market-based approach to regulation, and impartial regulations across different technologies to provide the freedom to innovate.

FTAs: core chapters

Chapter on Financial Services

- Ensures national treatment for investors and investments in financial services and most-favored nation treatment, minimum standard of treatment, and a commitment of the sale of financial services across borders.

Chapter on Digital Trade

- Promotes cross-border flows of data (subject to safeguards like privacy), bans data localization requirements, prohibits forced transfer of source code, prohibits discrimination against digital products, and bans customs duties on electronic transmissions.

Defining Digital Trade

- **Digital product:** A computer program, text, video, image, sound recording, or other product that is digitally encoded, produced for commercial sale or distribution, and that can be transmitted electronically. For greater certainty, digital product does not include a digitalized representation of a financial instrument, including money.
- No standard definition of cross-border data flows.

WTO and digital trade: GATS

- Recognition of Importance of Cross-Border Information Flows
 - **Annex on Telecommunications 1994:** regulatory principles on access and use of public telecom transport networks and services. In 1994 most telecom commitments were for value added services like voicemail, email. Applies if member has made commitment on telecom.
 - “WTO members must ensure that other members may use telecom networks and services for movement of information within and across borders and for access to information in data bases stored in a members territory.”
 - **Understanding on Commitments in Financial Services 1994:** optional package of commitments including rights to data transfer.
 - Members prohibited from preventing transfers or of financial information or transfer of equipment necessary for conduct of ordinary course of business of financial services supplier. Can protect personal data as long as its not done to circumvent the agreement
 - **Telecom negotiations continued into 1997** when agreement on Basic Telecom was reached covering wide range of telecom services
- Drawbacks: Largely based on an outdated UN services category classification scheme from 1991, not legally binding and didn't really accommodate emerging services and technologies.
- GATS members don't want to renegotiate their existing commitments or change service descriptions.

WTO and digital trade: GATT

- Digitally enabled services depend on digital products and technologies, so tariff treatment of those digitally related products and technologies is important to services.
- First liberalization of the digital infrastructure and consumer products through tariff cuts and provision of non-discriminatory treatment national treatment under the GATT.
- 1996 Information Technology Agreement (ITA) accelerated liberalization.
- Eliminated duties in most markets on wide array of information communication technology products—from computer hardware and software, semiconductors, mobile phones.
- Sparked major uptick in IT trade and creation of infrastructure.
- 2015 ITA was expanded to cover additional advanced IT products.
- GATT Article III (1994)
 - Establishes and codifies non-discrimination rules with respect to goods/IT products also prohibits requiring use of local content/products

WTO and digital trade: E-commerce

- WTO members agreed to a moratorium in 1998 that prohibits countries from “imposing customs duties on electronic transmissions”
- 2007 draft understanding on scope of “computer and related services”
- Joint Statement Initiative on E-commerce

WTO and digital trade: Clarification of Digital Trade Rules through WTO Disputes

- US – Gambling (2005) Confirmed principle of technological neutrality
 - Commitment to allow cross-border supply of a service includes all means of delivery including online, unless otherwise specified
- China – Publications and Audiovisual Products (2009)
 - Panel interpreted “sound recording distribution services” to encompass electronic distribution of digital recordings
- China – Electronic Payment Services (2012) Concept that GATS commitment can cover a bundle of services essential to delivery
 - Commitment for “all payment and money transmission services” covers all services, including online services, essential to delivering such services

USMCA Digital Disciplines

Prohibits the application of custom duties and other discriminatory measures to digital products distributed electronically

Ensures that data can be transferred across borders

Facilitates digital transactions

Prohibits data localization

Promotes collaboration in addressing cybersecurity challenges

Protects against forced disclosure of proprietary computer source code and algorithms

Guarantees enforceable consumer protections

Annex: Some Trade Data

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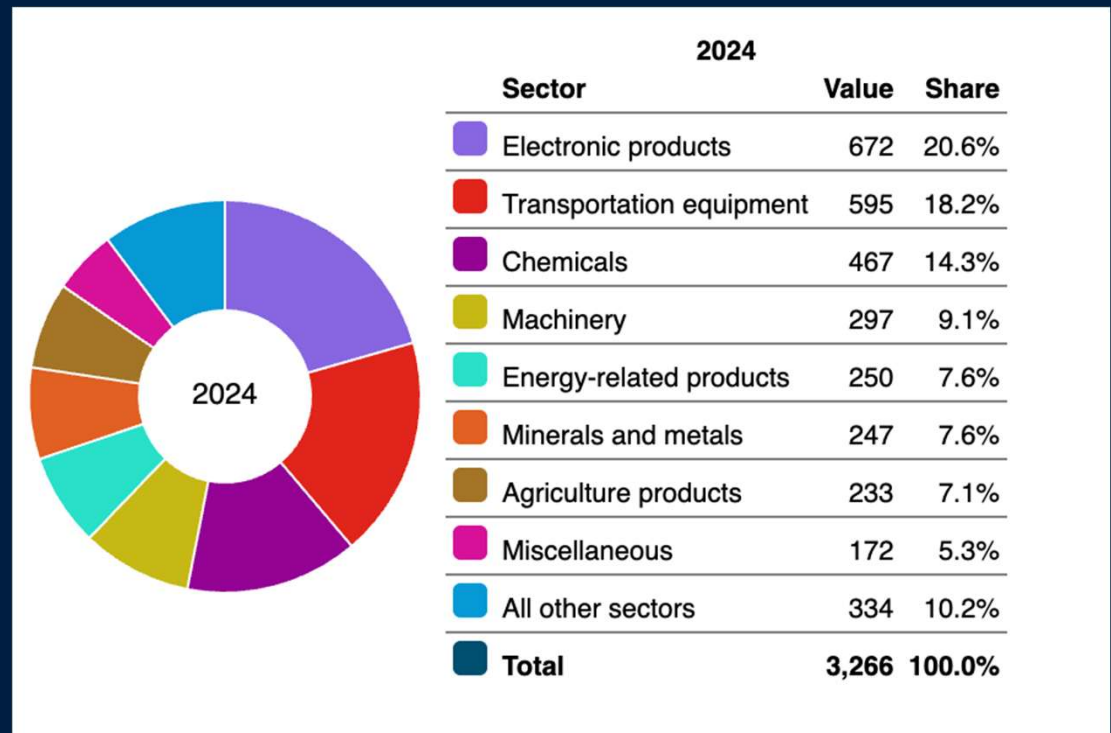
U.S. Trade in Goods: Imports

Value of imports:

FY 2024 :\$3.27 trillion

Top Trading Partners (2024):

- Mexico: 15.5%
- China: 13.4%
- Canada: 12.6%
- Germany: 4.9%
- Japan: 4.5%
- Vietnam: 4.2%
- South Korea: 4.0%
- Taiwan: 3.6%



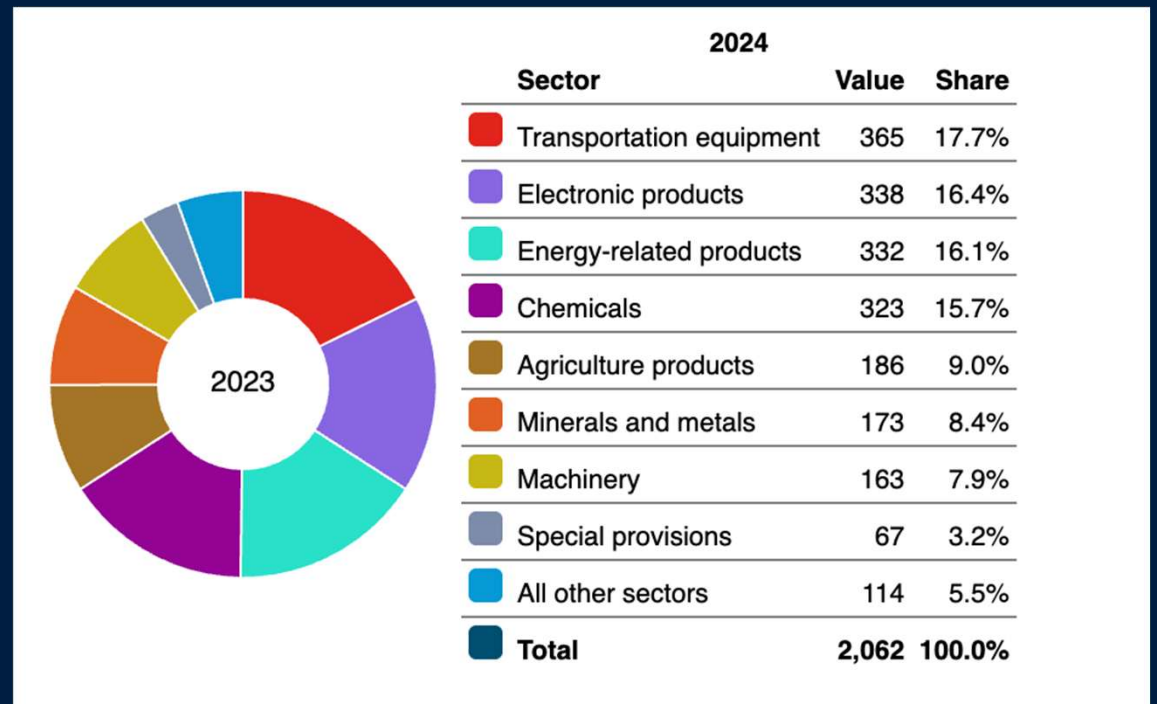
U.S. Trade in Goods: Exports

Value of exports:

FY 2024 :\$2.06 trillion

Top Trading Partners (2024):

- Canada: 17.0%
- Mexico: 16.2%
- China: 6.9%
- Netherlands: 4.3%
- United Kingdom: 3.9%
- Japan: 3.8%
- Germany: 3.7%
- South Korea: 3.2%



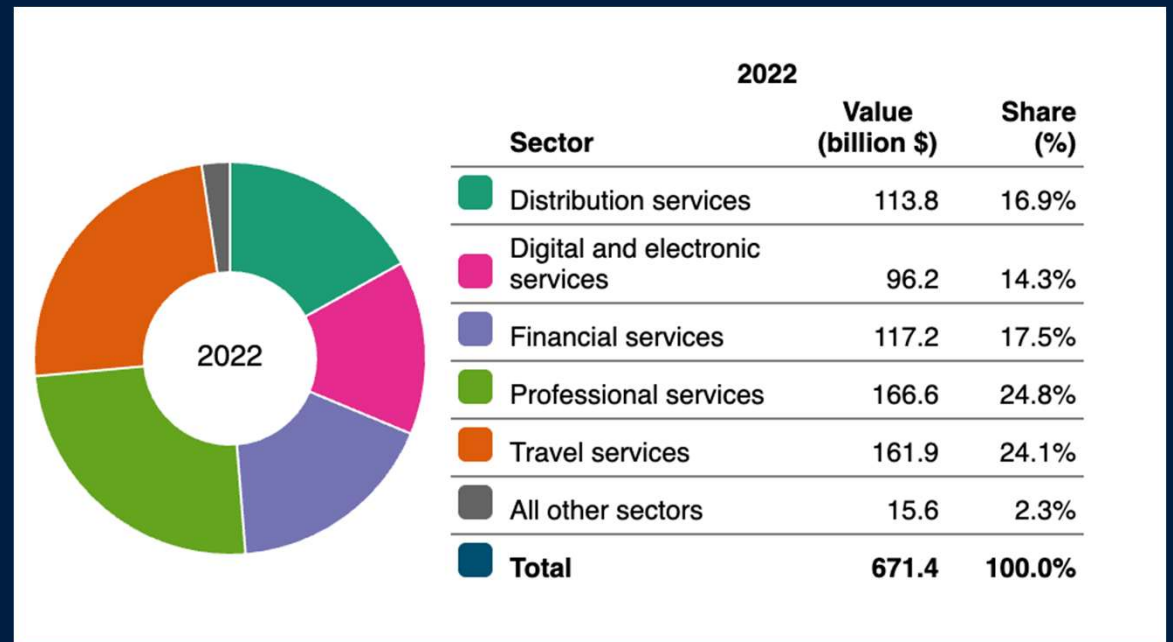
U.S. Trade in Services: Imports

Value of imports:

FY 2022 :\$671.4 billion

Top Trading Partners (2022):

- EU: 24.2%
- UK: 10.8%
- Canada: 6.6%
- Mexico: 5.7%
- Japan: 5.3%
- India: 5.0%
- Bermuda: 4.8%



U.S. Trade in Services: Exports

Value of exports:

FY 2022 :\$900 billion

Top Trading Partners (2022):

- EU: 26.6%
- UK: 9.1%
- Canada: 7.9%
- Switzerland: 6.2%
- UK Caribbean Islands: 5.8%
- China: 4.6%
- Japan: 4.3%

