

Tariff Impact for Inbound Ocean Supply Chains

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On July 31, 2025, President Trump signed an Executive Order (“E.O.”) modifying reciprocal tariffs that became effective on August 7, 2025. Some aspects of the impact are well understood such as increased tariff burden on importers ranging from 10% to over 40%. Still, other aspects of the practical effect and its knock-on effects for shipping are relatively novel. Understanding these measures is essential for all import supply chain participants and their service providers as real impacts on transportation spend and compliance risk come in focus.

The In-Transit Exception

Central to the E.O. is the narrowly defined in-transit exception. Shipments that are loaded onto a vessel at the port of loading before August 7th, and that remain on that same vessel until U.S. entry before October 5, 2025, will bear the pre-existing 10% reciprocal tariff. One key fact that has emerged in recent months is now this relief is limited. Goods that are transferred or transshipped to a different vessel after departure from port of loading after August 7th, which includes feeder vessel service, do not fall under the exception. Such a break in the through movement on the origin vessel means the goods are subject to the full reciprocal tariff depending on the customs country of origin (“COO”).

Transshipment, Feeder Vessels, and Enforcement Risk

The E.O. gives the U.S. Customs and Border Protection (“CBP”) authority to impose an additional 40% tariff on goods it determines or suspects have been transshipped to circumvent the reciprocal tariffs. Transshipment in and of itself is not a problem - the issue is ILLEGAL TRANSSHIPPING that is conducted for the purpose of falsifying the COO on customs entry summaries. This heightens the compliance burden and risk for shippers, beneficial cargo owners (“BCOs”), as well as their agents, intermediaries, and carriers that rely on multi-leg-vessel routing or feeder vessel systems in their global supply chains. All facts declared on shipping paperwork and in entry summaries must always be truthful. Merely routing goods through another country, say from China to Vietnam, DOES NOT change the customs COO (which here will remain China). There is an interesting potential for CBP to overreach in its enforcement due to lack of visibility into shipper sourcing, and conversely, the potential for shippers to raise new sensitivity about the routing of their shipments to avoid raising suspicion by CBP. Government enforcement will mean that 40% duties will apply against the value of the goods in addition to all other liquidated damages and civil penalties. On a bad set of facts those civil penalties can be as high as four times the value of the goods (or 400%).

Country of Origin

The COO remains key to assessing tariffs. Country-specific tariff rates under the E.O. require stringent COO determinations consistent with longstanding customs principles centered on where goods originate or undergo substantial transformation. The substantial transformation test is not the most straightforward of legal tests, but it is very important. Precision with COO declarations drives determinations of which tariff rate applies (outside of USMCA). Erroneously declaring COO is viewed by CBP as duty evasion. At a minimum, the consequence to the domestic U.S. importer will be payment of lost revenue (duties) to the U.S. government, plus interest. The net effect is that procurement, customs, and compliance teams must be on high alert with robust internal controls and operating procedures to avoid self-blinding or bearing supply chain interruption due to unscrupulous suppliers.

Port of Loading

The port of loading, and the date of loading, is significant under the E.O. for determinations of whether the higher duty rates are in effect. The port of loading is NOT significant for determination of COO. Also inland origin and destination movements of cargo by motor carriage, drayage, and rail prior to vessel loading or after discharge may serve commercial or operational purposes, but they do not affect the COO determination for assessing tariffs. Rerouting cargo through different ports or trade lanes will not circumvent the tariffs, as eligibility for the in-transit exception is determined by the original port of loading and that date. Changes in trade lanes or port pairs after August 7th could nullify relief eligibility and thus trigger full tariff rates. The CBP's increasingly aggressive enforcement policy signals a low tolerance for tariff evasion efforts rather than legitimate commercial routing changes.

A quick example would be helpful. Even with CFS-to-CFS or CY-to-CY shipments the "On Board Departure Date" is defined by the date the cargo is physically loaded onto the vessel at the port of loading. Any movement by truck, rail, or smaller vessel prior to arrival at the port of loading is considered pre-carriage and does not affect the On Board Departure Date-even where a through bill of lading covers a door-to-door route. Under the reciprocal tariff framework, this date determination takes on greater significance because the On Board Departure Date at the port of loading is the operative trigger for whether the in-transit exception applies. Pre-carriage legs, regardless of whether they cross domestic or international borders, will not result in in-transit tariff relief if the actual vessel loading occurs after the effective date thresholds in the E.O. Determining whether a leg is pre-carriage depends on its sequence in the nodes of transportation movement, not on its geography. The physical vessel loading at the port of loading is the operative event such that all earlier movements should be treated as pre-carriage when assessing what tariff applies.

Strategic Recommendations

As CBP scrutiny continues to intensify, importers should maintain complete and accurate records that include COO documentation, vessel loading records, and proof of uninterrupted transit to withstand potential investigation or audits. Errors or omissions in customs filings will risk delays, seizure of goods, penalties, and increased enforcement scrutiny. To mitigate tariff exposure:

- Recognize the impact of any transshipment or vessel changes after August 7th.
- Implement rigorous COO validation processes and always avoid illegal transshipment.

- Closely manage inland movements at both origin and destination, as well as vessel logistics scheduling.
- Collaborate closely with shippers, customs brokers, logistics providers, and other carriers to ensure visibility to timings, accuracy of data, and compliance of supporting documents.

The impact of reciprocal tariffs on inland and ocean shipments, as well as multimodal legs, is beginning to be felt across the industry. Challenges extend far beyond supplier tender dates and buyer order planning. Today even basic metrics of whether MQCs will be met, the viability of rates, and whether contracted lanes remain essential to inbound ocean cargoes (regardless of steamship line capacity) are variables requiring close focus alongside basic customs compliance. All supply chain participants including shippers and BCOs must closely monitor regulatory and enforcement changes to develop strategies that align sourcing, pricing, and compliance with efficient supply chain management. Service providers of all types are of course part of that solution as the world comes to grips with the new reciprocal tariff regime.

For guidance on navigating in-transit exceptions, COO determinations, or strategies to mitigate tariff exposure, please contact a member of the firm's [Transportation & Logistics Practice Group](#).

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