<u>US Tariffs Announcement on 2 April 2025 ("Liberation Day")</u>

On 2 April, US President Donald Trump announced that the US would introduce a baseline 10% tariff on all US imports, titled "Regulating Imports with a Reciprocal Tariff to Rectify Trade Practices that Contribute to Large and Persistent Annual United States Goods Trade Deficits". These tariffs are due to begin from 5 April 2025 at 00:01 EDT. The White House released the Executive Order & Fact Sheet shortly following the announcement.

President Trump announced specific tariffs for individual markets, which will enter force on 9 April 2025 at 00:01 EDT. These tariffs are inclusive of the 10% baseline tariff. The following list of countries is not exhaustive, the full list will be published shortly in the US Federal Register.

Country	Reciprocal tariff (incl. 10% baseline)
Australia	10%
Bangladesh	37%
Brazil	10%
Cambodia	49%
China	34%
EU	20%
India	26%
Indonesia	32%
Israel	17%
Japan	24%
Malaysia	24%
Saudi Arabia	10%
Singapore	10%
South Africa	30%
South Korea	25%
Switzerland	31%
Taiwan	32%
Thailand	36%
Turkey	10%
United Arab Emirates	10%
UK	10%
Vietnam	46%

Basis for the additional tariffs

The Executive Order (EO) bases the measures on a range of legislation including the International Emergency Economic Powers Act, National Emergencies Act and the Trade Act of 1974. Under the EO, President Trump has declared a national emergency arising from conditions reflected in large and persistent annual U.S. goods trade deficits.

The announcement clarifies that Trump can remove, decrease or increase tariffs at any point and will last "until such time as I determine that the underlying conditions described above are satisfied, resolved, or mitigated".

Methodology for tariffs seems based on the trade deficit for each country and then halved and applied as a tariff.

In a statement following the announcement, US Trade Representative Greer justified the measures saying, “The current lack of trade reciprocity, demonstrated by our chronic trade deficit, has weakened our economic and national security.” The measures were also welcomed by the House of Representatives’ Chairman of the Ways and Means Committee Jason Smith.

Practical considerations for businesses

- **Calculating the tariff – MFN:** In the case of the 10% baseline tariff and country-specific reciprocal tariffs, they will apply in addition to existing Most Favoured Nation (MFN) rate for goods (i.e. where no US Free Trade Agreement or other preference programme applies). Certain exemptions apply (see more below).

- **Calculating the tariff – US content:** The EO sets out that the proportion of US content (if any) as a percentage of the overall value of the good shall not be subject to these tariffs (this does not apply to other S232 tariffs) so long as the good has a minimum of 20% US content. It will be for individual businesses to provide sufficient evidence of the origin of content so as to benefit from lower tariff exposure, however increased scrutiny from US customs officials is expected. Additional guidance is expected.

- **Goods on the water:** For products that have been shipped and are in transit (on the final mode of transit) prior to 5 April 2025 at 12:01am EDT, shall not be subject to the baseline 10% tariff. This applies to the additional reciprocal tariffs that are in transit from 9 April 2025 at 12:01 EDT.

- **Exemptions:** These new tariffs will not apply to products already subject to existing S232 measures such as steel, aluminium, autos and auto parts. Also exempt are products such as copper, pharmaceuticals, semiconductors and lumber products. Also exempt are gold bullion and energy and minerals not available in the United States.

- **Aluminium and steel tariffs:** While exempted from the announcement, businesses should continue to monitor implementation of the S232 tariffs on Steel and Aluminium (and their derivative products) which continues to expand. For example, a new notice on the implementation of duties now covers the aluminium content of beer and empty aluminium cans.

- **De minimis:** In addition to the tariffs, the EO sets out that de minimis treatment, which allows parcels valued at under $800 to enter the US tariff-free, would remain until the US introduces “adequate systems” to collect tariffs.. This is the same approach that Trump has taken with tariffs applied to Canada and Mexico. Concurrently, on 2 April, the US Administration also announced that de minimis treatment for China would end from 00:01 EDT (05:01 BST) on 2 May. Chinese parcels valued under $800 will be subject to either a tariff equal to 30% of their value or $25, with the latter increasing to $50 from 1 June 2025.

- **Foreign trade zones:** Covered products which enter Foreign Trade Zones in the US that are not eligible for “domestic status” are required to enter as “privileged foreign status” which requires the tariff to be paid on exit from the FTZ and enters circulation in the USA.

Country-specific considerations

- **China:** For Chinese products, the 34% tariff is cumulative with the previously announced 20% tariff on Chinese products entering the US, plus any MFN tariffs on products entering the US. Meaning a 54% tariff will be in effect for the majority of Chinese exports to the US. Any existing S301 tariffs would apply on top of this. The tariffs applying to Chinese products have been extended to products originating from Hong Kong and Macao.

- **Canada and Mexico:** Canada and Mexico have been excluded from this announcement, with the EO reiterating the situation whereby Canadian and Mexican products are subject to a (delayed) 25% tariff (with certain Canadian energy products set at 10%) unless products qualify for preferential treatment under USMCA.

- **UK vs EU – Northern Ireland:** With UK exports subject to a baseline tariff of 10% and the EU of 20%, exports from Northern Ireland to the US could face increased scrutiny at the border as US agencies will look to ensure circumvention is not taking place. Depending on the scale of EU retaliation – potential trade diversion could occur for products entering Northern Ireland and whether or not constitute “at risk” of entering the EU single market.

- **Challenges for certain Customs Unions:** With the exception of the EU, a number of countries who are part of a Customs Union have been given differential treatment such as the Southern African Customs Union (SACU) or Switzerland and Liechtenstein. Businesses will need to carefully assess origin of products exported to the US where intra-customs union supply chains exist.

- **Developing countries:** The EO effectively eliminates the vast majority of preferential tariff treatment that had been granted to exporters from African, Caribbean and Least-Developed Countries (LDCs). In conjunction with the suspension of development programmes under USAID, such exporters will experience considerably more competition. Impacted sectors will include textiles, tropical products and certain commodities. This move also throws into doubt the renewal of such preference programmes by the US Congress including AGOA.

Additional considerations

- **Future investigations:** The exclusion of products such as copper, pharmaceuticals, semiconductors and lumber products from the EO and reciprocal tariffs should not be taken as being excluded over the longer-term as statements by President Trump and other administration officials have noted that these products could be subject to future S232 investigations similar to those measures implemented on automotive and related products.

- **Retaliation:** In the EO, President Trump reserves the right to increase or expand in scope the tariffs should a country retaliate against these measures. Several countries, including the EU had previously indicated that they would implement retaliatory measures against US exports – which businesses should keep a watching brief on. Countries will also be calibrating their response and future US modifications to the tariff levels as India, Israel and Vietnam prior to the announcement had implemented their own concessions lowering tariffs on certain US exports into their respective countries yet still faced high reciprocal tariffs as part of the 2 April 2025 announcement.

- **World Trade Organization:** The new US tariffs put the US tariff regime well above its bound tariff rates agreed at the WTO and goes against the established practice of treating all WTO Members equally under most-favoured nation. Certain WTO Members will likely bring a WTO dispute against the US, with the US likely to invoke the national security exemption as justification for the measures. This comes amid reports that the US has suspended payments to the WTO regular budget.

Businesses will need to pay increased attention to the origin of their products exported to the US, whether they have the necessary customs approvals in place for US imports and establish whether there is US content to imported products to see if some of the tariff cost can be offset. Businesses should remain vigilant to potential changes to US tariff rates and retaliation from trading partners.

If you would like to discuss any of these developments in more detail – don't hesitate to contact George Riddell (g.m.r.riddell@gmail.com), Managing Director of Goyder Ltd