DENTONS

# Trade Alert:
# New U.S. Tariffs Taking Effect on April 2, 2025: A Closer Look at Reciprocity Tariffs and Tariffs on Automobiles

Grow | Protect | Operate | Finance

April 3, 2025

**Reciprocal Tariffs**: On April 2, 2025, the Trump Administration announced that the United States is changing fundamentally the manner in which tariffs are being determined, moving to a country- or region-specific system. Effective April 5, 2025, the United States is imposing a **10%** baseline ad valorem duty on all U.S. imports from all countries. Additionally, effective April 9, 2025, the Administration will increase the base rate of 10% to higher rates for **57** countries and regions. As the reason for this approach, the Administration recites certain trade barriers that are being imposed by these countries or regions on U.S. goods, including tariffs, value-added taxes, and "nonmonetary" trade barriers ("**Reciprocal Tariffs**").[1] The full list of the 57 countries and the corresponding tariff rates are set forth in Annex I to the Presidential Proclamation and below:

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| Algeria 30% | Iraq 39% | Nigeria 14% |
| Angola 32% | Israel 17% | North Macedonia 33% |
| Bangladesh 37% | Japan 24% | Norway 16% |
| Bosnia and Herzegovina 36% | Jordan 20% | Pakistan 30% |
| Botswana 38% | Kazakhstan 27% | Philippines 18% |
| Brunei 24% | Laos 48% | Serbia 38% |
| Cambodia 49% | Lesotho 50% | South Africa 31% |
| Cameroon 12% | Libya 31% | South Korea 26% |
| Chad 13% | Liechtenstein 37% | Sri Lanka 44% |
| China 34% | Madagascar 47% | Switzerland 32% |
| Côte d`Ivoire 21% | Malawi 18% | Syria 41% |
| Democratic Republic of the Congo 11% | Malaysia 24% | Taiwan 32% |
| Equatorial Guinea 13% | Mauritius 40% | Thailand 37% |
| European Union 20% | Moldova 31% | Tunisia 28% |
| Falkland Islands 42% | Mozambique 16% | Vanuatu 23% |
| Fiji 32% | Myanmar (Burma) 45% | Venezuela 15% |
| Guyana 38% | Namibia 21% | Vietnam 46% |
| India 27% | Nauru 30% | Zambia 17% |
| Indonesia 32% | Nicaragua 19% | Zimbabwe 18% |

[1] As stated in the Proclamation signed on April 2, 2025, Reciprocal Tariffs were created under the authority granted to the President by the International Emergency Economic Powers Act ("IEEPA"), the National Emergencies Act ("NEA"), and the Trade Act. The Reciprocal Tariffs are reportedly designed to ensure that U.S. exporters are not disadvantaged, by adjusting the U.S. tariffs on imports and are loosely based on the tariffs imposed by the foreign governments on the U.S. goods.

Countries listed in Column 2[2] of the HTS code (Cuba, North Korea, Russia, and Belarus) are exempt from the tariffs. The Reciprocal Tariff rates **are stacked in addition** to any other duties, fees, taxes, exactions, or charges applicable to imports, with the exception of specific products listed in Annex II (exemptions described below).

**Effective Dates**: The 10% minimum tariffs will go into effect on **April 5**, **2025**, and the higher reciprocal rates will go into effect on **April 9, 2025**.

**Automobile and Additional Tariffs on Canada and Mexico**: President Trump confirmed that the 25% auto tariff announced on March 26 went into effect as of midnight on April 3, 2025.

**General Base Rates for Canada and Mexico**: Under existing emergency measures applicable to Canada and Mexico,[3] Canadian and Mexican goods that meet USMCA origin criteria remain eligible for duty-free treatment under the appropriate provisions of the HTSUS, including those in subchapters XXIII of Chapter 98 and XXII of Chapter 99. However, items that do not qualify as originating under USMCA are subject to a **25%** ad valorem duty—with energy resources and potash from Canada receiving a reduced rate of **10**% (the "**General Base Rates**"). Additionally, if the existing orders are terminated or suspended, goods from Canada and Mexico that meet USMCA criteria will not incur any additional duties, while non-originating items will face a **12%** duty rate; these additional rates do not apply to energy resources, potash, or any components eligible for duty-free treatment under USMCA that are incorporated into substantially finished U.S. products.

**Automobiles and Automobile Parts from Canada and Mexico**: In addition to the General Base Rates described above, the tariffs announced on March 26, 2025 for automobile imports from Canada and Mexico still apply with an **effective date of April 3, 2025** at the rate of 25%, except that any U.S. Content is excluded from this tariff. The US origin determination will be based on whether the good is either formed entirely in the United States or meets the substantial transformation determination. (March 27, 2025, Alert)

**Exemptions:** Pursuant to the Proclamation, Reciprocal Tariff rates do **not** apply to:

- personal communications, donations, artwork, films and other products encompassed by 50 U.S.C. 1702(b);
- all steel and aluminum articles (and their derivatives) subject to section 232 tariffs as set out in recent proclamations; and
- all automobiles and auto parts facing additional duties under section 232.
- Imports of copper, pharmaceuticals, semiconductors, lumber, certain critical minerals, and energy products as set forth in Annex II of the Proclamation (see footnote 2), and
- any products that may be subject to future tariffs under section 232.

The duty free *de minimis* treatment is available for the goods subject to Reciprocal Tariffs. However, *de minimis* treatment for goods from China and Hong Kong is set to expire as described below.

**China De Minimis Treatment**: In a separate Executive Order issued on April 2, 2025, China and Hong Kong will no longer be eligible for de minimis treatment effective May 2, 2025. The new China de minimis tariffs will remain outside of the Reciprocal Tariffs, and imposes duties at the rate of 30% or $25 per item (details to be further clarified in

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[2] Depending on the products, Column 2 rates range from 25% to much higher rates.

[3] For goods from Canada, additional duties have been imposed to address a national emergency stemming from the flow of illicit drugs across our northern border, as outlined in Executive Orders 14193, 14197, and 14231. Similarly, for goods from Mexico, additional duties have been levied to counter illicit drug flows and illegal migration across our southern border under Executive Orders 14194, 14198, and 14227.

successor Executive Orders). Currently Macau will remain outside the China and Hong Kong de minimis order but may be added based on the Department of Commerce's report due within 90 days (July 1, 2025).

### Retaliatory Measures to Reciprocal Tariffs

The April 2, 2025, announcement states that any retaliation against the Reciprocal Tariffs implementation may result in further modification of the HTSUS to increase the Reciprocal Tariffs or to expand them in scope. Conversely, should any trading partner take significant steps to remedy non-reciprocal trade arrangements and align sufficiently with the United States on economic and national security matters, the Reciprocal Tariffs may be decreased.

The EU has announced a retaliation package in response to the Reciprocal Tariffs announcement, with member states adding specific measures across several industry sectors. The EU has also joined Canada's WTO challenge of the Section 232 steel and aluminum tariffs. A coalition of the EU and UK trade groups has called on their respective leaders to resolve auto tariff disputes, highlighting the need for collaborative solutions in the current global trade environment.

### Implications for Supply Chains and Pricing Strategies:

These and other tariff changes mean a critical need to review and potentially revise supply chain practices. Increased tariffs can raise the cost of imported goods, tighten profit margins, and disrupt established pricing structures. Companies need to explore alternative sourcing strategies, adjust pricing models and incorporate price escalation clauses into their agreements, and review duty exemptions available to them under HTSUS. Additionally, businesses that rely on international supply chains must be vigilant in monitoring how changes in U.S. trade policy, particularly reciprocal tariffs, may influence their competitive landscape.

**Practical Steps for Businesses**: Given the complexity of the current trade environment, including the Administration's stated intent of increasing enforcement, it is imperative for businesses to:

- Conduct a thorough analysis of your supply chain to identify the country-of-origin (supported by required documentation) and vulnerabilities, including potential areas for cost savings;
- Revisit pricing strategies and sourcing agreements in light of the new tariffs and anticipated reciprocity measures;
- Review Harmonized Tariff Schedule ("**HTS**") classification for all imported products to ensure that all goods are correctly classified;
- Review all available exemptions and valuation methodologies to ensure proper duty assessment for imports;
- Keep abreast of updates from U.S. Customs and Border Protection, the Department of Commerce, and other relevant agencies, as further details on the implementation and scope of the tariffs are expected in the coming weeks;
- Companies seeking to establish presence in the United States, and/or shift their manufacturing to countries different from the ones currently hosting their production facilities, should review their supply chain screening and compliance policies and procedures to ensure adherence to all applicable requirements.

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Because these changes are ongoing, our team will continue to monitor these developments and provide additional updates. We provide our clients access to resources in Canada, Mexico, China, and globally to help navigate these rapidly changing trade measures. Do not hesitate to reach out with specific questions.

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