

The logo for DENTONS, featuring the word "DENTONS" in a bold, white, sans-serif font inside a white arrow-shaped box pointing to the right. The background of the entire slide is a photograph of a shipping yard with numerous stacked shipping containers in various colors (red, blue, white) and several yellow cranes in the distance under a clear sky. A large, semi-transparent purple shape is overlaid on the left and top portions of the image, serving as a background for the text.

DENTONS

Navigating the US (Trump Administration's) Trade Policy

Part 2: Reciprocal Tariffs

4 April 2025

Grow | Protect | Operate | Finance

The Background - What tariffs have already been implemented?

What are tariffs?

- Tariffs are an import tax: importers are obliged to pay a levy on goods imported from abroad; they can be applied by reference to the country of origin of the goods, the type of goods, or applied to all imports.

An overview of the US tariffs that have been implemented prior to 2 April 2025

<p>US Tariff Measures: <i>(on goods imported into the US)</i></p>	<ul style="list-style-type: none"> Aluminium & Steel: tariffs increased to 25% on steel and aluminium products. China: two cumulative 10% tariffs (totalling 20%) imposed on all goods. Mexico: a 25% tariff imposed on all goods, with a one-month temporary exemption for goods which relate to the car industry and which fall under the 2020 US-Mexico-Canada Trade Agreement (“USMCA”). Canada: a 25% tariff imposed on all goods, with a 10% tariff on Canadian energy imports. A one-month temporary exemption for goods which relate to the car industry and which fall under the USMCA.
<p>China Countermeasures <i>(on US goods imported into China)</i></p>	<ul style="list-style-type: none"> Tariffs targeting \$14bn worth of goods. Chinese officials have also taken specific action against Walmart, insisting that they discount their products in China to account for the tariffs.
<p>Canada Countermeasures <i>(on US goods imported into Canada)</i></p>	<ul style="list-style-type: none"> 25% tariffs on goods worth C\$30bn. In response to the US aluminium & steel tariffs, Canada is to impose a further 25% tariff on additional goods worth C\$29.8bn.
<p>EU Countermeasures <i>(on US goods imported into Canada)</i></p>	<ul style="list-style-type: none"> The European Commission has stated that it will impose counter-tariffs on €26bn worth of American goods. The implementation of these countermeasures has been delayed to mid-April to better account for changes following the 2 April tariff announcement.

2 April 2025 – Further tariffs imposed by the United States

What further tariffs have been imposed by the US?

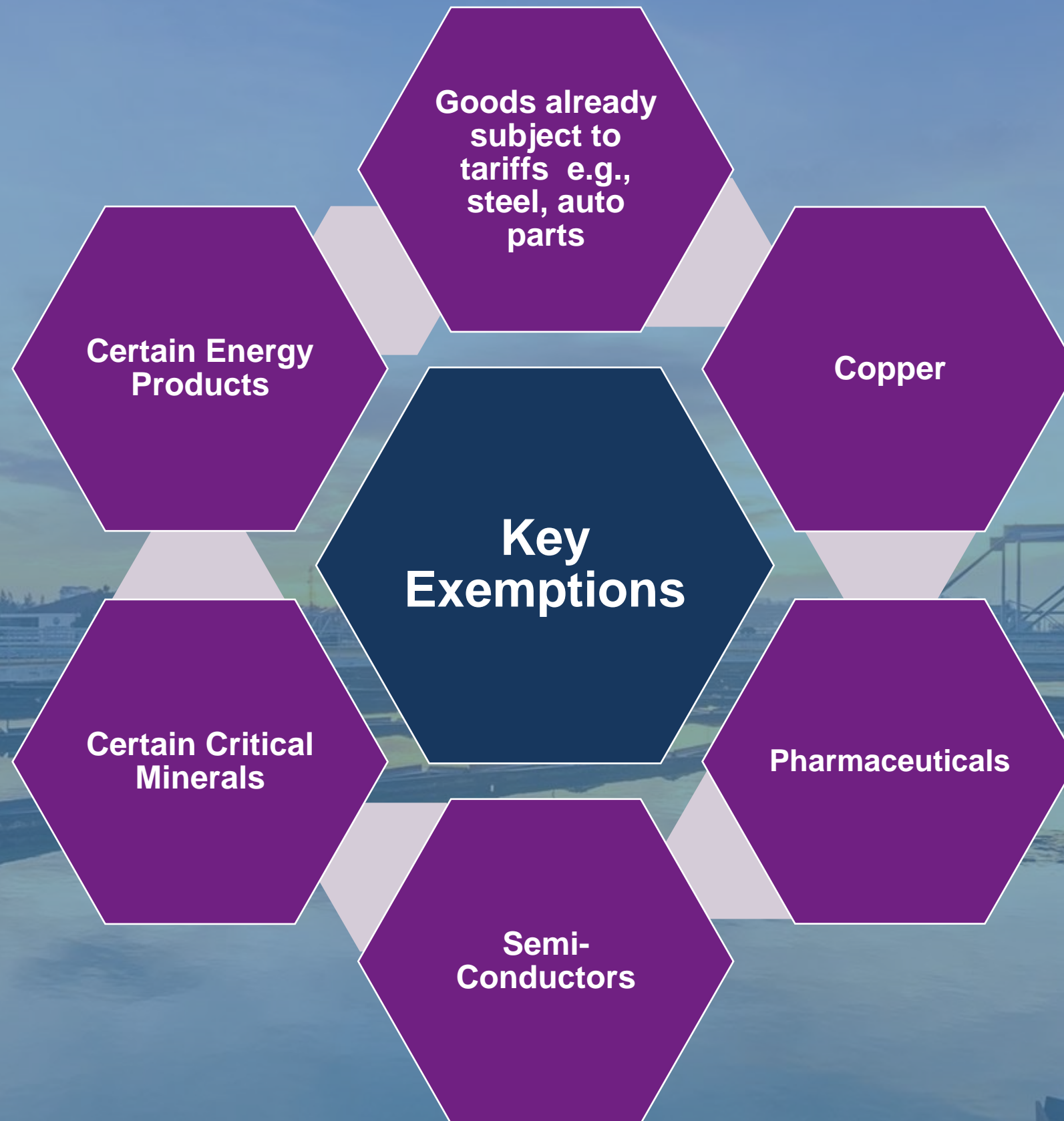
<p>Country-Specific Tariffs</p> <p>“Reciprocal” Tariffs</p> <p><i>(more detail on next slide)</i></p>	<ul style="list-style-type: none"> From 5 April 2025, a baseline tariff of 10% will be applied to all goods from the majority of countries, including the UK. Countries listed in Column 2 of the HTS code (Cuba, North Korea, Russia, and Belarus) are exempt from the tariffs. From 9 April 2025, individualised higher tariffs will be levied on imports from approx. 60 countries with which the US has deemed that it has the largest trade deficits.
<p>Foreign-Made Cars and Trucks</p>	<ul style="list-style-type: none"> From 3 April 2025, a 25% tariff will be levied on all cars and light trucks entering the US. Canadian and Mexican goods that meet USMCA origin criteria will not be subject to this tariff; those that do not will be subject to the 25% tariff. These tariffs will likely impact Mexico, South Korea, Japan, Canada and Germany the most.
<p>Canada / Mexico Exemptions Renewed</p>	<ul style="list-style-type: none"> The one-month temporary exemption granted to Canadian and Mexican exporters was renewed on the 2 April, meaning that goods covered by the USMCA will not be subject to the 25% tariff. Non-USMCA compliant energy and potash will see a 10% tariff.
<p>China</p>	<ul style="list-style-type: none"> China and Hong Kong will no longer be eligible for de minimis treatment with effect from 2 May 2025. The new China de minimis tariff will remain outside of the Reciprocal Tariffs and imposes duties at the rate of 30% or \$25 per item.
<p>Potential Tariffs to Watch For</p> <p><i>(not included in the 2 April statement)</i></p>	<ul style="list-style-type: none"> Venezuelan Oil Secondary Tariffs: The US has previously announced a plan to introduce “secondary tariffs” on countries that import Venezuelan oil and gas, such that the US would potentially impose 25% tariffs on all imports from a country, which imports Venezuelan oil and gas. The jurisdictions most susceptible to these tariffs include China, India and Spain. The Trump Administration has indicated that further tariffs may come into force against semi-conductors and pharmaceuticals.

2 April 2025 – US “reciprocal” tariffs imposed by region

Some example countries impacted by the US’ “reciprocal” tariffs

<p>Europe</p>	<ul style="list-style-type: none"> • A 31% tariff will be levied on goods from Switzerland. • A 20% tariff will be levied on goods from the European Union. • A 15% tariff will be levied on goods from Norway. • A 10% tariff will be levied on goods from the UK.
<p>North and South America</p>	<ul style="list-style-type: none"> • Canada and Mexico were not included in the reciprocal tariff announcement; a tariff of 25% already applies to goods imported into US from these countries. • Goods from many South American countries (including Brazil and Argentina) will be subject to a 10% tariff on import into the US.
<p>Asia</p>	<ul style="list-style-type: none"> • A further 34% tariff will be imposed on goods from China. This brings the total tariff imposed on goods from China to 54%. • A 26% tariff will be levied on goods from India. • A 25% tariff will be levied on goods from South Korea. • A 24% tariff will be levied on goods from Japan. • Goods from many South-East Asian countries have been significantly impacted including Vietnam (46%), Thailand (36%), Laos (48%), Cambodia (49%), Malaysia (24%) and Indonesia (32%).
<p>Africa</p>	<ul style="list-style-type: none"> • Many African nations’ goods will be subject to the baseline 10% tariff; however, several countries’ goods will be subject to higher tariffs for example: South Africa (30%), Lesotho (50%), Botswana (37%), Madagascar (47%), Libya (31%) and Tunisia (28%).
<p>Oceania</p>	<ul style="list-style-type: none"> • Australia and New Zealand goods are subject to the 10% baseline tariff.

2 April 2025 – US reciprocal tariffs: the key exemptions



For goods that incorporate US content, the reciprocal tariffs will only apply to the non-US content, where the US content is at a minimum 20% of the value of the good.

Other exemptions **may be added** as countries negotiate deals with the Administration and / or as further tariffs are imposed.

2 April 2025 – Countries' reactions to the US tariff changes

How have countries reacted to the 2 April 2025 announcements?

Canada	<ul style="list-style-type: none"> Canada has announced that it will impose a 25% tariff on all vehicles imported from the US that are not compliant with USMCA. This also includes tariffs on the non-Canadian content of any USMCA compliant vehicles from the US. This will not include vehicle content from Mexico or apply to auto-parts.
Mexico	<ul style="list-style-type: none"> Mexico is not intending to impose tariffs on goods imported from the US.
EU	<ul style="list-style-type: none"> EU Commission President has stated that the EU are finalising the first package of countermeasures (tariffs on up to €26bn worth of US-origin goods) in response to tariffs on steel. The EU is looking to negotiate with the US, but is preparing for further countermeasures should negotiations fail.
UK	<ul style="list-style-type: none"> The UK government is developing a list of US products, on which the UK might impose reciprocal tariffs. The government has requested input from UK businesses on the potential impact if UK tariffs were to be applied. UK businesses should respond by 1 May 2025.
China	<ul style="list-style-type: none"> Prior to the US announcement, China, Japan, and South Korea held their first meeting on the economy in five years. Reports suggest that trade could focus on semi-conductors. On 4 April 2025, China retaliated against US tariffs by imposing a 34% tariff on US goods, adding 11 American companies to its list of “unreliable entities”, adding 16 American companies to an “export control” list, export controls on rare earth materials, investigations into American medical imaging companies and lodging a complaint with WTO.
Japan	<ul style="list-style-type: none"> Japan is considering its response and assessing whether countermeasures would be the best course of action.
South Korea	<ul style="list-style-type: none"> South Korea's acting president has vowed an "all-out" response. No measures have yet been announced.
Oceania	<ul style="list-style-type: none"> Australia and New Zealand have both stated that they will not impose reciprocal tariffs.
Brazil	<ul style="list-style-type: none"> The Brazilian government has stated it is evaluating all possible actions, with congress approving a bill outlining the framework for trade retaliation measures.

Impacts

Potential impacts beyond the US

Share prices	<ul style="list-style-type: none"> Immediate stock market (downward) reactions have already been reported; longer term impacts may be anticipated, as US indications are that the tariffs are a long-term change in US trade policy.
Manufacturers and suppliers	<ul style="list-style-type: none"> The US measures will pose a viability threat to some manufactures and suppliers exporting to the US.
Diversion of Investment	<ul style="list-style-type: none"> Investment may in the long term be diverted towards the US to avoid the Reciprocal Tariffs.
Reduction in Global Trade	<ul style="list-style-type: none"> The head of the World Trade Organization has indicated that the volume of global trade may shrink by 1%.
Increase in Prices	<ul style="list-style-type: none"> Tariffs will increase the cost of international goods (including potentially outside the US), including components of complex products, and can raise costs for those further down the supply chain.
Consumer Choice	<ul style="list-style-type: none"> Availability of products that are not produced domestically may reduce (caused by both the US measures and others' countermeasures).
Supply Chain Disruption	<ul style="list-style-type: none"> The tariffs will likely cause supply chain disruption as suppliers/exporters seek to pass the cost of the tariffs down the supply chain.
Uncertainty	<ul style="list-style-type: none"> Succession of retaliatory measures fosters an unpredictable trade environment, deterring investment and hindering economic growth.
Barriers to Trade	<ul style="list-style-type: none"> Governments may increase alternative barriers to trade in response to the increase in tariffs e.g., quotas, rules of origin, further regulations.
Trade Wars	<ul style="list-style-type: none"> With more countries impacted by the US Reciprocal Tariffs, there is the possibility for more countries to take counter-measures leading to a "trade war".

Potential impacts to key countries

Potential Impacts (some examples)

<p>United Kingdom</p>	<ul style="list-style-type: none"> • The 25% car tariff could lead to the loss of thousands of jobs at UK car plants. • The 10% Reciprocal Tariff will hit certain sectors particularly hard. For example: <ul style="list-style-type: none"> • the US is the biggest market for Scottish whisky exporters, accounting for nearly £1 bn in exports; • the chemicals industry currently exports £14.2 bn of goods to the US.
<p>European Union</p>	<ul style="list-style-type: none"> • Ireland and Germany will likely face significant impacts given their exposure to the US market. For example, in 2024, Irish goods exports to the US were worth approximately £60bn. • In 2024, the US accounts for 12% of the EU's external revenue demand.
<p>China</p>	<ul style="list-style-type: none"> • Whilst China has diversified much of its supply chain to Southeast Asia, these jurisdictions are now subject to significant new tariffs on their exports to US. • The new tariffs may lead to a reduction of trade between Southeast Asian countries.
<p>Japan</p>	<ul style="list-style-type: none"> • Japan's auto manufacturing is impacted with approximately 8% of Japanese jobs tied to the sector, for which exports to the US are a major part. • There has been an increase in investment by Japanese and South Korean companies in US domestic production.
<p>South Korea</p>	<ul style="list-style-type: none"> • South Korea exported approximately \$35 bn worth of cars to the US last year.

What actions should non-US businesses take in the face of new tariffs?

Potential Actions	
Rules of origin and content rules	<ul style="list-style-type: none"> As the US import tariff varies by country, the deemed origin of a product can significantly alter the tariff applicable to a product entering the US. For goods that incorporate US content, the reciprocal tariffs will only apply to the non-US content, where the US content is at a minimum 20% of the value of the good. Manufacturers and exporters to the US should assess their products against US origin rules, to be informed, prepare for, and potentially benefit from more favourable tariff rates.
Classification & Exemptions	<ul style="list-style-type: none"> Businesses should review CN codes / HS codes for all products exported to the US to ensure that goods are correctly classified; There are exemptions from the application of tariffs, allowing certain goods to be imported free of tariffs; Ensure your goods are correctly classified to avoid unnecessary tariff exposure.
Product Value	<ul style="list-style-type: none"> Check the product value methodology: as tariffs are imposed as a percentage of value, it is important for importers to ensure the correct valuation methodology.
Review contract clauses	<ul style="list-style-type: none"> Companies that export to or import from the US should review their current contractual clauses, to determine what clauses could be triggered e.g. liability for increased costs, change of law clauses. Future contracts should consider implementing clauses to mitigate risk.
Review exposure to the US market	<ul style="list-style-type: none"> Companies that export to the US market should review their exposure, implement plans and consider supply chain diversification where possible.
Review trends in global markets	<ul style="list-style-type: none"> Where a company is exporting to the US, it will want to consider trends of the industry and actions taken by its competitors to remain competitive.
Factor in global uncertainty	<ul style="list-style-type: none"> Businesses, whether exporting or importing, should factor in the risk of economic downturn as a result of the consequent trade tensions and barriers. Exporters and importers should also be vigilant of changes to tariff policy in the US and elsewhere as the situation develops.

Please get in touch if you have any questions or would like a confidential discussion.

Please also see our **Dentons US Administration Hub** for further analysis as the situation develops.

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