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Alert | International Trade

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US Tariffs Update: Universal and Reciprocal Tariffs Imposed (as of April 4)

Go-To Guide

- President Donald Trump imposed a 10% universal tariff, effective April 5, 2025, covering imports from all countries into the United States.
- Reciprocal tariffs were also imposed on over 50 countries with rates ranging from 11% to 50%, effective April 9, 2025.
- USMCA-compliant goods from Canada and Mexico will continue to enter duty-free.
- Steel and aluminum products subject to the 25% additional tariffs, effective March 12, are exempt from the universal and country-specific reciprocal tariffs.
- Autos and auto parts, subject to 25% additional tariffs effective March 26, are exempt from the universal and country-specific reciprocal tariffs.
- Copper, pharmaceuticals, lumber, semiconductors, bullion, energy and certain critical minerals not available in the United States, and products that may be subject to Section 232 tariffs in the future are not included in the tariffs announced April 2 but may be subject to additional tariffs later.
- De minimis shipments from China and Hong Kong will no longer be duty-free.
- Many countries will likely announce retaliation plans.
- Importers should consider sourcing and duty-mitigation strategies to manage increased costs.

On April 2, 2025, the Trump administration announced 10% global tariffs on 100% of goods imported into the United States. The new tariffs are effective April 5 at 12:01 a.m. Goods that are on the water as of that date are exempt from the additional tariffs. On April 9 at 12:01 a.m., merchandise from more than 50 countries will face supplemental "reciprocal" tariffs including:

- Vietnam 46%
- Bangladesh 37%
- China 34%
- Indonesia 32%
- Taiwan 32%
- India 26%
- South Korea 25%
- Japan 24%
- EU 20%

The on-the-water exception applies to the reciprocal tariffs as well. Accordingly, for the listed countries, the rates in effect will increase from 10% to the country-specific rate. Should the United States content of the entered merchandise be 20% or greater, the new tariffs will only apply to the non-U.S. content. According to the Executive Order, the tariffs are being imposed pursuant to the International Emergency Economic Powers Act of 1977 (IEEPA) due to economic and national security implications of the country's global trade deficits.

Regarding Canada and Mexico, the 25% tariffs imposed on all merchandise since March 4 except for "energy or energy resources" or "critical minerals," which have a 10% tariff, remain in effect. See all GT Alerts on Trump administration tariffs. Note that USMCA-compliant goods continue to enjoy duty-free treatment. Previously announced sectoral tariffs of 25% on imports from Canada or Mexico continue to apply, with steel and aluminum effective March 12, autos effective April 3, and auto parts effective May 3. See April 1 GT Alert on auto tariffs. However, the Executive Order is silent on other free-trade agreements, which may indicate that goods imported pursuant to other free-trade agreements enter the United States duty-free for general duties but still must pay the country specific reciprocal or universal tariff.

For importers of raw materials, components, or finished products, the new universal and reciprocal tariffs are in addition to General duties, 20% tariffs on products of China effective March 4, Section 301 duties on most products of China, Section 201 duties on solar products, and any anti-dumping or countervailing duties, and other duties and fees. For example, a steel product from China may carry: General duties + 20% + Section 301 (25% or 7.5%) + 25% for steel products. The steel and aluminum tariffs are imposed only on products covered under the listed Harmonized Tariff Schedule provisions. However, a product, which is not covered under the steel tariffs, manufactured in China may carry: General duties + 20% + Section 301 (25% or 7.5%) + 34% reciprocal.

The Executive Order also includes the following:

- Merchandise entering free-trade zones (FTZs) must be entered under "privileged foreign status," which means that when the goods enter the U.S. commerce area, the duty rates in effect at entry to the zone must be paid.
- Noticeably, drawback, which enables a U.S. importer/exporter to qualify for duty refunds, is not mentioned in the April 2 executive order and thus may be utilized. However, drawback is not permitted for the additional tariffs on steel, aluminum, the 20% on China, the 25% on products of Canada or Mexico, or the 25% on autos and auto parts.

On April 2, the Trump administration also issued an Executive Order stopping de minimis shipments, those valued under $800, from China and Hong Kong from entering duty free as of May 2.

Notably, the Executive Order specifically exempts certain products from the universal and reciprocal tariffs. Those products are listed in Annex II of the Executive Order and include products such as copper, pharmaceuticals, semiconductors, lumber articles, energy and energy products, and certain critical minerals.

Note that as other countries announce retaliation plans, the Trump administration may change its stated reciprocal rates. We expect to issue an Alert on retaliation plans next week.

Sourcing and Mitigation Strategies

There are numerous duty-mitigation and sourcing strategies importers can utilize to potentially blunt the impact of the reciprocal and universal tariffs, including reducing the value of imported goods by taking all possible legal deductions, such as international and foreign inland freight, and by using "first sale" in a multi-tier transaction that shrinks the value declared at entry by shaving off middleman profit and administrative expenses. For certain duties, drawback can also be used for duty refunds and bonded warehouses for duty deferral. With a bonded warehouse, duties are due only when the goods leave the warehouse and enter the commerce of the United States. Importers are also advised to review the origin of imported products, which is based on the product's essential character and in which country it is substantially transformed. Country of final assembly or export is not necessarily country of origin.

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