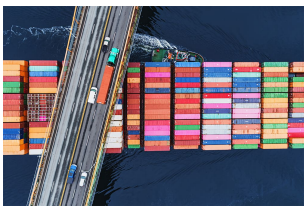

Tariff Letters and Trade Pressure: Changes to the Reciprocal Tariff Program

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The Reciprocal Tariff Program

On April 2, 2025, President Trump promulgated Executive Order 14257, which implemented the "reciprocal tariff" program, designed to bolster domestic manufacturing and address trade imbalances with U.S. trading partners. These tariff rates ranged from a baseline of 10% to as high as 49%, depending on the severity of the U.S. trade deficit with each targeted country. The president relied on his authority under the International Emergency Economic Powers Act (IEEPA) to enact the reciprocal tariffs, citing to a newly-declared national emergency concerning "large and persistent U.S. goods trade deficits."

On April 10, the president deferred the effective date of the reciprocal tariffs to July 9 and applied a blanket rate of duty of 10 percent effective until that date. On July 7, the implementation of the reciprocal tariffs was further delayed until August 1. While the scope of the president's authority to impose tariffs under IEEPA has been questioned in court, the United States Court of Appeals for the Federal Circuit has allowed the government to continue to collect IEEPA tariffs for the time being. Thus, the 10 percent rate of duty remains in effect for nearly all articles imported into the United States.

A Struggle to Make Deals

President Trump's trade advisor Peter Navarro optimistically stated that the administration would deliver "90 deals in 90 days" when the president first announced the reciprocal tariffs in April. So far, the United States has reached trade deals with three countries: the U.K., China, and Vietnam.

The agreement with the United Kingdom establishes a 10% flat tariff rate on all goods exported from the U.K. to the U.S. Vehicles are

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subject to a 10% rate on the first 100,000 vehicles imported into the U.S. every year, with further imports subject to a 25% rate. The agreement with Vietnam is set to reduce the reciprocal tariff rate on Vietnamese-origin goods from 46% to 20%. Further details on the agreement with Vietnam are scarce, as the final terms of the deal have yet to be publicly released. Finally, the trade deal with China effectively reestablishes the status quo under President Biden, with Beijing and Washington only agreeing to roll back the retaliatory measures taken in recent months. As of July 9, the Trump administration stated that a trade deal with India is forthcoming, but negotiations remain tense given the country's participation in the BRICS forum.

Tariff Letters

With the slow pace of trade negotiations since the original announcement of the reciprocal tariff program, the deadline deferral to August 1 is intended to provide the Trump administration time to reach trade deals with more countries targeted by the reciprocal tariff program. Concurrent with the pushback of the deadline, the president sent letters to several countries informing them of the new duty rates that will apply to their exports. President Trump also reiterated his intent to levy additional tariffs should those countries choose to retaliate. Although the modified reciprocal tariff rates apply to countries across the globe, East Asian countries in particular will bear the brunt of higher duty rates should deals not be made by the new August 1 deadline. As of July 10, the president has proposed reciprocal tariffs on the following countries at the following rates:

[table id=7 /]

Citing politically motivated legal action against former Brazilian President Jair Bolsonaro, President Trump announced his intent to levy 50% tariffs on Brazilian-origin goods starting July 9. Shortly thereafter, Brazilian President Luiz Inácio Lula da Silva indicated that Brazil will match any tariffs imposed by the United States. The U.S. is Brazil's second-largest trading partner after China, and the 50% rate marks a vast increase from the baseline 10% rate that has been in place since April.

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Trade negotiations with Canada, another major trading partner of the United States, have also resulted in threats of higher tariffs. On July 10, President Trump threatened to impose a 35% tariff on goods imported from Canada. It is currently unclear if these additional duties would be applied to goods that qualify for preferential treatment under the existing United States-Mexico-Canada Agreement.

Moving Forward: What to Expect

- **Continued uncertainty:** The Trump administration's trade policy has been in constant flux since the president's inauguration in January. President Trump may well decide to defer the deadline again, especially if progress is being made in trade negotiations. On top of that, the Court of Appeals for the Federal Circuit may choose to suspend the administration's ability to levy the tariffs.
- **Automotive impacts:** Japan and South Korea rank as the largest car exporters to the United States after Mexico. Assuming no trade deal is reached, and the reciprocal rates go into effect on August 1, the 25% additional duty rates on imports from the respective countries will have a large impact on domestic auto purchasers and manufacturers.
- **More tariff letters:** President Trump is expected to send additional letters to countries in the coming days. Expect to see additional negotiation details as conversations with U.S. trading partners continue.

Conclusion

The reciprocal tariff program is sure to see more changes as trade negotiations continue over the coming weeks. The Frost Brown Todd trade team will continue to monitor these changes as details are made available to ensure that we can advise our clients on all trade compliance and tariff mitigation matters. Our experienced international trade attorneys stand ready to assist with any trade related matters, including developing plans to reduce the negative effects of tariffs. Please contact Jan de Beer any member of our

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Trade and Foreign Law team for support.

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