



# The Tariff Revolution

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## Key Points

- President Trump's new tariff regime has applied new, substantial tariffs to imports from every country on the globe.
- The rollout of these tariff measures has been anything but smooth, with the imposition of many of the most extensive tariffs paused for 90 days after a negative market reaction.
- The primary components of President Trump's tariff program now appear to be in focus, which should help reduce uncertainty over time. They include universal tariffs of at least 10% on all countries; higher, individualized "reciprocal" tariffs on 60 countries that may come down after negotiations; deep tariffs on Chinese imports, which also may be adjusted through negotiation; and an array of sectoral tariffs.
- Companies should carefully monitor the tariff situation and its impact on their operations. In partnership with outside counsel, they should consider pursuing measures to minimize supply chain and tariff risk.

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President Donald Trump's new tariff regime has upended decades of largely free trade-focused thinking and policy consensus in Washington. Through a flurry of measures — many using controversial emergency powers — he has applied new, substantial tariffs to imports from every country on the globe. And he has done so on a scale that is unprecedented in U.S. history.

But the rollout of these tariff measures has been anything but smooth. There have been stops and starts along the way — witness the on-again, off-again rollout of the tariffs imposed on Canada and Mexico, followed by an exemption for goods that comply with rules of origin under the U.S.-Mexico-Canada Agreement (USMCA).

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Likewise, President Trump unveiled baseline tariffs of 10% on all countries, coupled with higher, individualized “reciprocal” tariffs on goods from 60 countries to be implemented a month later. But after the announcement of these tariffs (followed by a negative market reaction), he paused the imposition of the individualized tariffs for 90 days.

The reactive, adaptive nature of President Trump’s approach — followed by successive announcements of new tariff measures and new investigations — has kept companies off balance and triggered widespread uncertainty. This uncertainty has led companies to suspend certain investments and transactions.

The primary components of President Trump’s tariff program now appear to be in focus, which should help reduce uncertainty over time. They are as follows:

- **Universal tariffs of at least 10% on all countries.**

President Trump signaled his intent to pursue these tariffs on the campaign trail, and they now appear to be central to his vision of using tariffs to reduce the goods trade deficit and raise revenue.

- **Higher, individualized reciprocal tariffs on 60 countries.**

These higher rates appear to be intended largely to give the administration negotiating leverage to secure market access with foreign trading partners. Thus, we should expect to see these rates go down as deals are struck, though by how much is unclear and will undoubtedly vary from country to country.

- **Tariffs on imports from Canada and Mexico.** The U.S. continues to maintain 25% duties on imports from Canada and Mexico based on concerns over fentanyl trafficking and illegal immigration. These tariffs are subject to an important exception: for goods that comply with rules-of-origin requirements under the USMCA. But this exemption only covers about half of all imports from Mexico and 38% from Canada. It is possible that these tariffs will remain in place until the parties to the USMCA agree on a package of amendments or joint statements/clarifications addressing U.S. priorities in connection with the joint review of the USMCA (slated for July 1, 2026, but the package could be agreed to earlier).

- **China tariffs.** Imports from China are currently subject to a combined tariff of at least 145% (20% tariff based on fentanyl trafficking concerns plus 125% reciprocal tariff). Both sides appear motivated to strike a deal, and significant tariff reductions on Chinese imports are likely, but the timing of any deal remains unclear. It seems possible that, even with a deal, meaningful tariffs will remain in place on Chinese imports for the foreseeable future.

- **Sectoral tariffs — already imposed.**

- **Automobiles.** President Trump has imposed 25% tariffs on automobiles (passenger vehicles and light trucks) imported into the U.S. The effect of these tariffs may be mitigated if and when U.S. Customs and Border Protection (CBP) develops a system for applying the tariffs only to the non-U.S. content of the vehicle, for those vehicles that are USMCA-compliant. Likewise, 25% tariffs apply to auto parts, but for now do not apply to auto parts that are USMCA-compliant. (This exemption will only last until CBP develops a mechanism for applying tariffs to the non-U.S. content in the auto parts.) There are some indications that the administration is considering providing some relief from these tariffs to the auto industry, but the nature of this relief remains unclear.
- **Steel and aluminum.** The administration has revived, heightened and expanded duties on steel, aluminum and derivative products of the same. At present, these products are all subject to a 25% duty.

- **Sectoral tariffs — pending investigations.**

- **Critical minerals.** On April 25, 2025, the Commerce Department announced an investigation under Section 232 of the Trade Expansion Act of 1962 into the national security implications of imports of critical minerals and derivative products. Like the other pending Section 232 investigations, the critical minerals investigation may lead to the imposition of tariffs on at least some of the products under investigation.
- **Trucks.** On April 23, 2025, Commerce announced an investigation under Section 232 into the national security effects of imports of medium- and heavy-duty trucks, and parts for such trucks.
- **Semiconductors.** On April 14, 2025, Commerce announced a Section 232 investigation into semiconductors and derivative products.
- **Pharmaceuticals.** On April 14, 2025, Commerce announced an investigation under Section 232 into imports of pharmaceutical products.
- **Timber and lumber products.** On March 1, 2025, Commerce announced the initiation of a Section 232 investigation into the national security effects of imports of timber, lumber and derivatives.
- **Copper.** On February 25, 2025, Commerce announced the initiation of a Section 232 investigation into copper and derivative products.

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We also may see activity in new or relaunched Section 301 investigations into digital services taxes imposed by certain countries, leading to the imposition of tariffs.

## Looking Ahead

Given the preceding, we expect to see a considerable amount of flux over the next few months, as:

- Deals are struck with countries subject to the reciprocal tariffs.
- Pending investigations conclude and sectoral tariffs are imposed.
- The administration considers and perhaps grants exemptions and flexibilities to U.S. industries that are adversely affected by the tariffs, such as the auto industry.

But as these events unfold, a greater degree of certainty may be achieved. All things being equal, we would expect to see more stability in the tariff landscape by late summer 2025.

In the meantime, companies should carefully monitor the tariff situation and its impact on their operations. In partnership with outside counsel, they should consider pursuing measures to minimize supply chain and tariff risk. For instance, companies should verify that tariff classification and country-of-origin determinations for products that they export to the U.S. or that they import as key inputs — determinations that may have taken place years ago and could now be erroneous or out of date — are accurate.

Companies should also consider how they are valuing their imports from a customs perspective, and whether there are customs rules (such as the “first sale rule”) that would permit them to reduce this value and thus their tariff exposure.

Updating these essential features of a company’s customs profile is smart practice in this volatile environment and is likely to pay dividends in the near and long term.

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