

Executive Briefing

Latest Updates on the Trump Administration

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Reciprocal Tariffs: Presidential Memorandum Orders Investigations but No Immediate Action or Duties

On February 13, 2025, President Donald Trump signed a presidential memorandum (the Memorandum) ordering the Office of the U.S. Trade Representative (USTR) and the Department of Commerce to initiate investigations of “harmful” nonreciprocal trade arrangements by foreign trading partners and to prepare a report setting out proposed remedies.

The ultimate objective of these efforts is to create a “Fair and Reciprocal Plan” to address imbalances in international trade.

The primary method contemplated in the Memorandum for “restoring fairness” in these trading relationships is tariff equalization — *i.e.*, the U.S. would impose reciprocal tariffs on imported goods from countries where the rate is higher than it is in the U.S. But the Memorandum also highlights other nonreciprocal measures:

- “Unfair, discriminatory, or extraterritorial taxes” such as value-added taxes (VATs).
- Nontariff barriers, subsidies and “burdensome regulatory requirements on United States businesses operating in other countries.”
- Currency depreciation, wage suppression and other “mercantilist policies” that disfavor U.S. businesses.
- “[A]ny other practice that . . . imposes any unfair limitation on market access or any structural impediment to fair competition with” the U.S.

Key Takeaways

- **Long time horizon.** USTR and Commerce will initiate their investigations and prepare their report only after submission of the various agency reports that are due on April 1, 2025, under the America First Trade Policy Memorandum. If the new investigations called for by the Memorandum are conducted under authorities such as Section 301 of the Trade Act of 1974, USTR would collect evidence, conduct a public comment process and prepare a report. This process would take several months and, given the complexity and scope of the issues, conceivably could stretch into fall/winter of 2025 (or longer).
- **Report first, action later.** The report from USTR and Commerce will only result in recommendations to the president, who must decide what, if any, actions to take.
- **Potentially wide impact of tariff equalization.** If President Trump implements a reciprocal tariff scheme, tariffs could be imposed on a wide range of products from a large number of countries. No carve-outs have been proposed at this stage. Countries with high tariffs on U.S. goods, such as Brazil, Vietnam and Argentina, are likely to be significantly affected by any reciprocal tariff actions.
- **Hardest-hit products.** Certain products, such as ethanol and agricultural products, are expected to be hardest-hit, owing to wide gaps in U.S. and foreign countries’ tariff rates.

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- **Scrutiny of VATs.** President Trump has cited VATs as an “unfair” practice used by trading partners that the U.S. wants to counteract. In principle, imposing tariffs to counteract a VAT could trigger the imposition of tariffs on virtually every product exported from the jurisdiction that has the VAT.
- **Global reactions and trade tensions.** The plan has sparked strong reactions from key trading partners.

Specific Products and Tariff Rates

A [White House fact sheet](#) published in relation to the Memorandum highlights several examples of nonreciprocal trading practices that the U.S. aims to counter:

- **Ethanol.** The U.S. imposes a 2.5% tariff on ethanol imports, while Brazil charges an 18% tariff on U.S. ethanol exports to Brazil. In 2024, the U.S. imported over \$200 million in ethanol from Brazil but exported only \$52 million to Brazil.
- **Agricultural products.** The U.S. average applied Most Favored Nation (MFN) rate — a common commitment in trade agreements to levy duties at rates equivalent to those granted to the most favored nation — on agricultural goods is 5%, whereas India’s average applied MFN tariff is 39%.
- **Shellfish.** The EU can export shellfish to the U.S. free of duties for most products, but the EU bans shellfish exports from 48 U.S. states. In 2023, the U.S. imported \$274 million in shellfish from the EU but exported only \$38 million.
- **Automobiles.** The EU imposes a 10% tariff on imported cars, while the U.S. imposes only a 2.5% tariff on EU cars (the U.S. duty rate on light trucks is 25%).

Potential Targeting of VATs

VATs are consumption taxes collected at each stage of the supply chain during which value is added to the product. VATs are commonly used in Europe and much of the rest of the world, and differ from the flat-rate sales taxes employed in the U.S.

In a [February 3, 2025, statement](#) at the White House, President Trump specifically cited VATs as a target of reciprocal tariffs. U.S. critics of VATs have long argued that they function as indirect tariffs because in countries that employ them, they are applied to U.S. imports but refunded to exporters, which critics argue disadvantage U.S. exports in these markets.

Reactions From Foreign Governments

The Trump administration’s announcement of the reciprocal tariff plan has prompted strong reactions from foreign governments:

- **European Union.** The European Commission criticized the plan, [releasing a statement on February 10, 2025](#), noting that the EU “maintains some of the lowest tariffs in the world and sees no justification for increased U.S. tariffs on its exports.” The Commission warned that such measures would amount to a tax on U.S. citizens, increase business costs, hamper growth and drive inflation, and that the EU would “meet any unjustified duties” on EU goods with “firm and proportionate countermeasures.”
- **India.** President Trump singled out India for its high tariffs on U.S. goods, particularly motorcycles. (The U.S. imposes only a 2.4% tariff on certain motorcycles from India, while India has historically imposed a 50% rate and, [as of February 2025](#), a 30% rate.) Notably, on the same day that the Memorandum was released, the U.S. and Indian governments [agreed during Prime Minister Narendra Modi’s trip to Washington](#) to negotiate the first tranche of a comprehensive bilateral trade agreement by fall 2025.