

Changes to Reciprocal Tariffs and New Framework for Tariff Relief Under Trade Agreements

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On September 5, President Trump signed an [executive order](#) introducing new exemptions (and removing other exemptions) to reciprocal tariffs, while also setting out a new framework that aims to promote the conclusion of more definitive trade and security agreements in exchange for additional forms of tariff relief.

The executive order, titled “Modifying the Scope of Reciprocal Tariffs and Establishing Procedures for Implementing Trade and Security Agreements” (the Order), builds on previous actions, notably [Executive Order 14257](#) of April 2, 2025, as amended, which imposed reciprocal tariffs pursuant to emergency trade authority under the International Emergency Economic Powers Act (IEEPA) to rectify unfair trade practices (the Reciprocal Tariffs).

Executive Order 14257, as amended, has faced significant legal challenges. In particular, the U.S. Court of International Trade, with [its decision later affirmed](#) by the U.S. Court of Appeals for the Federal Circuit, determined that the Trump administration overstepped its statutory authority by imposing the Reciprocal Tariffs. In response to the legal challenges surrounding these tariffs, the administration has appealed the court’s decision to the U.S. Supreme Court, seeking an expedited review. Although the legality of the Reciprocal Tariffs remains under judicial review, the Order maintains reliance on the same authorities currently being examined by the courts.

Key Modifications to Reciprocal Tariffs

The Order adds new exemptions (in some areas expanding existing exemptions) for certain goods under the Reciprocal Tariffs, such as bullion-related articles and additional critical minerals and pharmaceutical products under pending Section 232 investigations, under [Annex II](#) of Executive Order 14257. At the same time, the Order removes exemptions for other goods, including certain aluminum hydroxide, resin, and silicone products, under Annex II, meaning they are now subject to Reciprocal Tariffs.

Framework for Trade and Security Agreements

The Order introduces [Annex III](#), titled “Potential Tariff Adjustments for Aligned Partners” (PTAAP), which lists more than 1,900 products eligible for country-based tariff exemptions or reductions (potentially to zero) if trading partners negotiate trade agreements aligning with U.S. priorities. These products include items not sufficiently produced in the U.S., certain agricultural goods, aircraft and related components, and non-patented pharmaceutical inputs. Annex III functions as an incentive for trade partners to align with U.S. policies.

The Order aims to provide clearer motivation for trading partners to finalize trade agreements by offering reduced Reciprocal Tariff rates, potentially eliminating them entirely for certain imported goods. To take advantage of the possibility of reduced or eliminated tariffs, a trading partner is required to take substantial steps to correct non-reciprocal trade practices and align with U.S. economic and national security priorities.

Additionally, the Order considers the possibility of applying future trade agreements retroactively, potentially allowing U.S. Customs and Border Protection to refund previously paid duties. The potential for future refunds underscores the administration's interest in formalizing agreements with trade partners in exchange for extending this benefit.

Effective Date

The Order took effect on September 8, 2025, at 12:01 a.m. ET, applying to all goods entered for consumption or withdrawn from a warehouse for consumption thereafter.

Conclusion

While the Order represents a continuation of President Trump's commitment to trade policy to address longstanding economic imbalances and protect national security, it also reflects an ongoing strategic recalibration of U.S. tariff policy. It continues the shift away from blanket, across-the-board tariffs, toward a more varied and conditional approach that leverages tariffs as bargaining chips in trade and security negotiations.

As the U.S. navigates complex trade relationships, companies must be prepared for shifting compliance requirements and evolving market dynamics, while also recognizing that ongoing litigation challenging the President's authority to impose these tariffs under IEEPA leaves the legal framework for Reciprocal Tariffs unsettled, creating both risks and opportunities.

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