Articles + Publications | February 28, 2025

Recent Tariff and Trade-Related Actions in Washington, DC

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INTRODUCTION

Below is an overview of recent tariff and trade-related actions in Washington, DC. We sought to highlight key legislative and administrative developments, industry reactions, and potential impacts, in addition to some strategic recommendations for stakeholder consideration. The tariff and trade-related landscape continues to change rapidly, so please understand that information may become quickly outdated as new announcements or executive orders are published.

OVERVIEW OF RECENT TARIFF ACTIONS

Key Announcements & Proposals:

Canada and Mexico: This week, the administration reiterated plans to impose a 25 % tariff on imports from Canada and Mexico—with a renewed start date of March 4—after earlier delays, but with a reduced 10% tariff for Canadian energy resources. Skepticism remains about their implementation and longevity and a possible delay could align with April 2nd, the date for tariffs on semiconductors and other strategic goods.

China: An additional 10% tariff on Chinese goods has been slated to take effect concurrently, on top of the 10%tariffs on Chinese imports President Trump imposed earlier this month. There’s a higher likelihood of these tariffs taking effect compared to Canada and Mexico tariffs, but China appears interested in negotiating a new trade deal with the U.S. In addition, the administration plans to eliminate the “de minimis” exemption (largely impacting Chinese imports) as soon as possible.

Sector-Specific Tariffs: Proposals include 25% tariffs on automobiles, pharmaceutical drugs, semiconductors, and lumber. Details on these tariffs are sparse at this point.

European Union: Trump has said he will press ahead with 25% tariffs on EU imports as soon as April.

Steel and Aluminum: Trump already plans to reinstate universal tariffs on steel and aluminum on March 12, based on the previous Section 232 investigations.

Copper: The administration recently commenced another Section 232 investigation that may lead to tariffs on copper and copper derivatives.

Reciprocal Tariffs: So-called "reciprocal" tariffs have been floated, which would be based on higher duties levied by foreign countries, along with other non-tariff barriers to trade that the U.S. government deems to be unfair, still pending recommendations being developed by the government before any specific actions being considered. These are likely to be focused at least initially on America's biggest trading partners in the G20.

Some of these new tariffs have been imposed or proposed under the president's International Emergency Economic Powers Act (IEEPA) authority, which is a novel and questionable legal basis for the imposition of tariffs. Others are being enacted under more clear authorities, such as Section 232 for steel, aluminum, and copper. It remains to be seen whether administrative exclusions will be available for these new tariffs. We expect litigation to commence challenging the IEEPA-based tariffs once those become effective.

International Impact:

China: Following the first 10% added tariffs in early February, China imposed retaliatory tariffs on U.S. coal, LNG, crude oil, agricultural machinery, and vehicles.

Canada and Mexico: Both have signaled potential countermeasures, which if implemented could seriously disrupt trade flows and affect supply chains. However, at the same time, Canada reiterated its commitment to stemming the flow of fentanyl this week, and Canadian parliament members met with congressional leaders on securing the border. In addition, the Canadian government sanctioned nearly all the drug cartels that were recently designated by the U.S. as Foreign Terrorist Organizations (FTOs). See our advisory on these developments. Mexico for its part has engaged in unprecedented law enforcement cooperation with the U.S., including major extraditions. Both countries are quietly seeking ways to avoid the imposition of these tariffs by stepping up cooperation in key Trump priority areas.

European Union: EU Agricultural Commissioner Christophe Hansen has mentioned the EU's use of its Anti-Coercion Instrument (ACI) if President Trump takes strong action against the EU. The ACI provides the EU with broad and flexible authorities to retaliate in a variety of ways. Deploying the ACI, and the discussion of it, is an escalation by EU members.

LEGISLATIVE ACTIONS AND PROPOSALS ON CAPITOL HILL

Recent Bills and Resolutions:

H.R. 694 – Restoring Trade Fairness Act: This bill aims to end Permanent Normal Trade Relations (PNTR) with China, eliminating the need for annual Congressional recertification. It establishes a new tariff column for China, with a minimum 35% ad valorem tariff on non-strategic goods and a 100% ad valorem tariff on strategic goods, phased in over five years. The bill also ends de minimis treatment for covered nations, requires customs brokers for other de minimis shipments, and allocates tariff revenue to support U.S. farmers, manufacturers, and munitions purchases to deter Chinese aggression in the Pacific. Similar bills have been proposed by Republicans for years, and it is unclear if this idea will have enough traction even in this Congress.

STABLE Trade Policy Act – Senators Tim Kaine (D-VA) and Chris Coons (D-DE) introduced legislation requiring Congressional approval for new tariffs on U.S. allies. This bill aims to ensure that any new tariffs proposed by the president, particularly those expected from the Trump administration, receive legislative scrutiny and approval before implementation. This type of congressional pushback, particularly when paired with the expected litigation against the IEEPA-based tariffs, could significantly curtail the executive's ability to impose unilateral tariffs going forward outside of established trade authorities such as Section 232 and Section 301.

S. 691 – Leveling the Playing Field 2.0 Act – Senators Todd Young (R-IN) and Tina Smith (D-MN) introduced legislation to amend the Tariff Act of 1930 to enhance the administration of antidumping and countervailing duty laws. Key provisions include establishing special rules for successive investigations, addressing cross-border subsidies, modifying definitions and adjustments related to trade, and implementing measures to prevent duty evasion and circumvention. The bill also includes specific requirements for nonresident importers and provisions to counter currency undervaluation, with applicability to goods from Canada and Mexico.

Congressional Hearings & Debates:

<u>February 6, 2025, Senate Finance Committee Hearing</u>:

United States Trade Representative Nominee Jamieson Greer: Defended tariffs as necessary tools to protect American industries and leverage trade negotiations and discussed the following:

Fair and Reciprocal Plan: Discussed the development of a plan to impose tariffs strategically.

Universal Tariffs: Suggested as a potential solution to offshoring and trade deficits. However, as described above, this idea appears to have been sidelined at least for now, in favor of more "targeted" tariffs.

Lawmakers' Reactions: Expressed both support and concern, with some warning of inflationary pressures and economic disruptions.

<u>February 25, House Ways & Means Trade Subcommittee Hearing</u>:

During the hearing, full committee chair Jason Smith (R-MO) said that reforming the de minimis provision is an "urgent priority" to help advance Trump's trade agenda.

On February 1, President Trump issued an executive order eliminating the de minimis exemption for low-value products made in China. The administration paused the repeal after it caused mass confusion and backups at customs offices but indicated an intent to revive the repeal once adequate systems are in place to manage these goods.

USTR Leadership and Staffing:

Jamieson Greer Confirmed as USTR: The Senate confirmed Greer on Wednesday, February 27 by a vote of 56-43.

Priorities: Greer has emphasized improving agency staffing, streamlining internal operations, and advancing the administration's aggressive trade policy. He will be one of the leads in implementing the President's executive orders.

Outlook on Legislation

While President Trump enjoys his ability to threaten, enact, and withdraw tariffs, all as part of his negotiating tactics, Congress continues to consider their use in budget reconciliation. The House Republican Conference and leadership have actively discussed including tariffs in legislation as a means to offset tax cuts they are pursuing, but the odds remain unlikely for now. Tariffs may only be used as a means to reduce the deficit if they are part of legislation. While amounts into the trillions have been discussed on how much this could offset, the Congressional Budget Office (CBO) would be the ultimate decider in the revenue raised and its benefit to Republicans. Should Republicans pursue this, it's expected to be narrower in scope than the many tariff possibilities currently looming. Congress passing tariffs into legislation would, however, complicate the president's leverage in negotiations and create some permanence to any they chose to enact into law.

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