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US Modifies Reciprocal Tariff Rates

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President Trump signed a new executive order, "Modifying Reciprocal Tariff Rates to Reflect Trading Partner Retaliation and Alignment" (the Order) on April 9, marking yet another significant shift in U.S. trade policy. The Order, effective as of 12:01 a.m. EDT on April 10, 2025, amends Executive Order 14257, "Regulating Imports With a Reciprocal Tariff to Rectify Trade Practices that Contribute to Large and Persistent Annual United States Goods Trade Deficits," and the Executive Order 14259, "Amendment to Reciprocal Tariffs and Updated Duties As Applied to Low-Value Imports from the People's Republic of China." The latest order intensifies tariff pressure on China while offering a temporary reprieve to other trading partners from the most severe recent tariffs that had been announced.

Background and Evolution of US Tariff Policy

Executive Order 14257, issued on April 2, established reciprocal tariffs under the International Emergency Economic Powers Act of 1977 on imported goods from key trading partners to address trade imbalances and foreign trade practices. It introduced a 10% baseline tariff on most goods from most trading partners and higher reciprocal tariff rates for 57 trading partners listed in Annex I of Executive Order 14257 (together, Reciprocal Tariffs).

On April 8, an amendment to Executive Order 14257 specifically targeted China and Hong Kong, raising duties on goods from China, including Hong Kong, in response to China's retaliatory 34% tariff on U.S. goods announced on April 4. It raised the Reciprocal Tariff rate on Chinese goods from 34% to 84%, the de minimis ad valorem duty rate imposed pursuant to Executive Order 14256 on imports valued at less than $800 from China and Hong Kong to 90%, and increased the per postal item duty imposed pursuant to Executive Order 14256 to $75 starting May 2 (and then to $150 starting June 1).

Key Changes in the Order

<u>Escalation of Tariffs on China</u>

The Order increases the Reciprocal Tariff rate on goods from China from 84% to 125%. This applies to goods entered for consumption or withdrawn from warehouse after 12:01 a.m. EDT on April 10, excluding those already in transit before that time.

This 125% Reciprocal Tariff on Chinese imports, which are not Exempt Goods (defined below), is in addition to the

20% across-the board tariff imposed on all Chinese imports under Executive Order 14195, as amended by Executive Order 14228, as well as other additional tariffs imposed against China, such as antidumping and/or countervailing duties and tariffs imposed pursuant to Section 301 of the Trade Act of 1974 and Section 201 of the Trade Act of 1974.

Temporary Pause for Other Trading Partners

For trading partners listed in Annex I of Executive Order 14257, country-specific ad valorem Reciprocal Tariffs are suspended for 90 days, from April 10 to July 9. During this period, these imports will face a uniform 10% additional ad valorem duty, a significant reduction from the country-specific Reciprocal Tariff rates.

De Minimis Tariff Adjustments

To prevent circumvention of tariffs via low-value imports from China, the Order modifies the de minimis ad valorem duty rate on imports valued at less than $800 from China previously set forth in Executive Order 14259, increasing it to 120%, effective April 10. Additionally, per-item postal duties will increase to $100 starting May 2, and then to $150 starting June 1.

Continuity With Prior Executive Orders

Despite these changes, the other elements of Executive Order 14257, as amended by Executive Order 14259, remain intact, including:

- All trading parties not identified in Annex I of Executive Order 14257 remain subject to the 10% baseline Reciprocal Tariff.

- Goods exempt under Executive Order 14257 remain exempt from the Reciprocal Tariffs (Exempt Goods), including but not limited to articles subject to 50 U.S.C. § 1702(b), such as donations for humanitarian relief; steel and aluminum articles subject to duties imposed pursuant to Section 232 of the Trade Expansion Act of 1962 (Section 232) and Proclamations 9704, 9705, 9980, 10895, and 10896; automobiles and automobile parts subject to duties under Section 232 and Proclamation 10908; bullion; copper, pharmaceuticals, semiconductors, and lumber; certain energy products; certain minerals not available in the U.S.; all articles potentially subject to future tariffs imposed pursuant to Section 232; goods from Cuba, Belarus, Russia, and North Korea; and any other articles identified in Annex II of Executive Order 14257.

- Imports with at least 20% U.S. content continue to qualify for partial exemptions, paying Reciprocal Tariffs only on the non-U.S. value, as outlined in Executive Order 14257.

- Mexico and Canada remain excluded from the Reciprocal Tariffs.

Duty Drawback

CBP has reaffirmed that duty drawback is available for all duties imposed pursuant to the Order.

China's Response

In the latest escalation of the U.S.-China trade war, China announced it will raise tariffs on American goods from 84% to 125%, effective April 12. This move mirrors the U.S. recent increase on tariffs on Chinese imports. China's Ministry of Commerce stated that it would disregard any further tariff increases by the U.S., labeling the ongoing tariff escalations as a "numbers game." However, the ministry warned that if the U.S. continues to substantially infringe on China's interest, China will "resolutely counterattack and fight to the end."

Conclusion

The Order marks a dual-track approach: punishing retaliation from China with unprecedented tariff hikes while providing other partners with a temporary tariff reduction. As the U.S. navigates this evolving trade landscape, companies must adapt to heightened costs from China and unpredictability in U.S. tariff policy, and continue to monitor potential shifts, in particular after July 9, when the suspension for most countries expires. A big question to watch is whether the administration seeks to condition its upcoming deals with major trading partners other than China on alignment in a new trade policy coalition against China.

This alert is intended as a guide only and is not a substitute for specific legal or tax advice. Things are rapidly changing by the day and hour, and our Tariff Task Force will do its best to provide timely and relevant updates as things progress. Please don't hesitate to reach out to us with questions.

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