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MEMORANDUM

May 12, 2025

BY ELECTRONIC MAIL

FROM: Olsson Frank Weeda Terman Matz PC

RE: Trade War Update: 90 Day Pause for 125% IEEPA China Tariff; Fair, Open, and Reciprocal Trade Deal with the United Kingdom and Trade Negotiations with Other Nations, including the European Union, China, and India; New Section 232 Investigation on Commercial Aircraft, Jet Engines, and Parts for Commercial Aircraft and Jet Engines.

This memorandum provides a high-level overview of today's announcement of the 90-day pause on the U.S. 125% country-specific reciprocal IEEPA tariff on China; the recent Fair, Open, and Reciprocal Trade Deal with the United Kingdom; trade negotiations with other nations, including the European Union, China, and India; and a new Section 232 investigation on imports of commercial aircraft, jet engines, and parts for commercial aircraft and jet engines.

1. ***90-Day Reduction From 125% to 10% on Country-Specific Reciprocal Tariffs on China***

Today, the Trump Administration announced the terms of a bilateral agreement between the United States and China. Under this agreement, both parties have committed to implementing the following measures by May 14, 2025:

- The U.S. country-specific reciprocal IEEPA tariffs on Chinese-, Hong Kong-, and Macau-origin products, currently set at 125%, will be temporarily reduced to 10% for a period of 90 days.
- The existing U.S. 20% IEEPA fentanyl tariffs on Chinese- and Hong Kong-origin products will remain in place without modification.
- China will similarly reduce its current 125% tariff on U.S.-origin goods to 10% during the 90-day pause.
- China will also suspend or remove its non-tariff barriers imposed on U.S.-origin products

on April 2, 2025, during the 90-day pause.

As a result, the additional country-specific reciprocal *ad valorem* tariff rate of duty applicable to Chinese-origin articles, including those from Hong Kong and Macau, will be set at 30% for a 90-day period. In addition to the 20% IEEPA/fentanyl tariffs noted above, all other applicable tariffs, including but not limited to Section 232 tariffs, Section 301 tariffs, and anti-dumping/countervailing duty (AD/CVD) measures, will continue to apply.

As per the announcement, the U.S. and China will also "establish a mechanism to continue discussions about economic and trade relations."

We will update you as to any additional details about the reciprocal tariffs during the 90 day pause provided via Federal Register notices and/or CBP CSMS messages.

2. *UK Trade Deal*

On May 8, 2025, President Trump announced a trade agreement between the U.S. and the UK in connection with the country-specific reciprocal tariffs imposed in early April 2025 (currently on pause until July 9, 2025).

According to an accompanying White House Fact Sheet and statements made via TruthSocial, the agreement is designed to generate $6 billion in external revenue by retaining the 10% baseline tariffs on UK goods, while creating $5 billion in new export opportunities for American ranchers, farmers, and producers. While many aspects of the agreement remain under negotiation, the administration anticipates further measures to expand reciprocal market access and refine tariff structures in the coming weeks.

The key terms of the new bilateral deal include:

- The reciprocal 10% tariff rate on imports from the U.K. remains in effect for most goods.
- A quota on U.K. auto exports is set at 100,000 U.K.-manufactured vehicles per year at the 10% tariff rate; any additional imports will be subject to a 25% tariff.
- Section 232 tariffs on aluminum and steel are being renegotiated under a new "Steel & Aluminum Trading Union" arrangement, which will impose both tariffs and quotas, similar to the framework established in Trump's 2020 negotiations regarding the Section 232 tariffs on steel and aluminum that were in effect at that time.
- The U.K. will remove non-tariff barriers, resulting in increased market access valued at $5 billion for U.S. exports including ethanol, beef, cereals, fruits, vegetables, animal feed, tobacco, soft drinks, shellfish, textiles, chemicals, machinery, and more.
- Sector-specific commitments will provide preferential access for U.S. aerospace manufacturers to high-quality U.K. components and establish secure supply chains for pharmaceuticals.
- Both countries will implement fast-tracking entry processing through their respective ports of entry.
- President Trump did not specify an effective date for these changes but indicated

implementation would occur in the coming weeks.

3. *EU Trade Negotiations*

On May 7, 2025, the European Commission initiated a public consultation (i.e., opened a period of public comment) on a range of U.S. imports that could be subject to EU countermeasures if ongoing negotiations regarding U.S. tariffs fail. The consultation covers imports worth approximately €95 billion, covering industrial and agricultural products. Also, it includes potential restrictions on certain EU exports—such as steel scrap and chemical products—to the U.S., which are valued at €4.4 billion. This process is designed to address both the baseline reciprocal 10% U.S. tariffs on EU goods and the additional US Section 232 tariffs imposed on vehicles and car parts.

The EU is preparing to file a dispute at the World Trade Organization concerning reciprocal tariffs and tariffs on vehicles and car parts imposed by the U.S. The Commission President, Ursula von der Leyen stated, "Tariffs are already having a negative impact on the global economies. The EU remains fully committed to finding negotiated outcomes with the U.S. We believe there are good deals to be made for the benefit of consumers and businesses on both sides of the Atlantic. At the same time, we continue preparing for all possibilities, and the consultation launched today will help guide us in this necessary work."

Stakeholders affected by these potential rebalancing measures are invited to submit their comments during the four-week consultation period, which will remain open until 10 June. Based on the feedback received, the Commission will finalize its proposal for countermeasures and consult with Member States. Concurrently, once the EU formally initiates WTO consultations, both parties will have up to two months to negotiate a resolution; if these discussions fail, the EU will have grounds to request the establishment of a WTO panel to evaluate the dispute.

These developments follow the U.S. imposition of "reciprocal" tariffs on 2 April—set at 20% for most EU goods and 25% on vehicles and car parts—and an earlier announcement on 10 February 2025 of 25% tariffs on steel, aluminum, and related products. In response, President von der Leyen warned that, if negotiations to remove these tariffs failed, the EU would be forced to implement countermeasures. Following a 90-day pause on the higher tariff rate announced by the U.S., allowing the 10% reciprocal tariff to remain, the EU similarly suspended its planned countermeasures on steel and aluminum imports to allow further negotiations.

4. *India Trade Negotiations*

On April 21, 2025, Vice President Vance and Prime Minister Modi announced terms of reference for a bilateral trade agreement between the U.S. and India to resolve the 26% country-specific reciprocal tariff recently imposed on Indian-origin products (currently on pause until July 9, 2025)Key U.S. objectives include enhancing market access, reducing both tariff and non-tariff barriers, and securing additional long-term commitments that will benefit American producers, ranchers, and farmers. A 10% base tariff continues to apply to India during the

negotiations.

India has proposed several measures to foster a more balanced and reciprocal trade environment with the United States:

- India is prepared to narrow the tariff gap with the U.S. to below 4% and is seeking an exemption from all "current, potential" tariff hikes.
- India has offered to provide preferential access to 90% of U.S. goods, which would significantly enhance market opportunities for American exporters.
- In return, India requests that the United States align its policies on critical technology issues with those of its key allies

5. ***New Section 232 Investigation on Commercial Aircraft, Jet Engines, and Parts for Commercial Aircraft and Jet Engines***

As per an advance copy of a Federal Register notice made available May 9, the Department of Commerce initiated a new Section 232 investigation on imports of commercial aircraft, jet engines, and parts for commercial aircraft and jet engines. If Commerce finds that imports of these goods threaten U.S. national security, the U.S. may take various measures in response, including imposing tariffs similar to the 25% Section 232 tariffs currently in force on steel and aluminum and derivative articles of steel and aluminum and automobiles and automobile parts. This is the seventh active Section 232 investigation currently pending (there are now Section 232 investigations on copper and copper derivatives; timber and lumber and their derivatives; semiconductors and their derivatives; pharmaceuticals, pharmaceutical ingredients, and their derivatives; medium duty and heavy duty trucks and their parts; processed critical minerals and their derivative products; and now commercial aircraft and jet engines and parts for commercial aircraft and jet engines).

Commerce is accepting public comments on this new Section 232 investigation until June 3, 2025 (21 days from the scheduled May 13, 2025, publication date for the Federal Register notice).

The previous memoranda sent discussing presidential actions regarding these fast-moving trade developments are:

1. American First Trade Policy, Jan. 20, 2025
2. U.S. Imposes Tariffs on Mexico, Canada, and China, Feb. 2, 2025
3. Update: U.S. Imposes Tariffs on Mexico, Canada, and China, Feb. 3, 2025 (Canadian/Mexican tariffs suspended; Effective date of 10% tariff on products of China and Hong Kong)
4. Update on Trade War, Feb. 5, 2025(China's Response to New U.S. Tariffs, Impacted Industries, Potential Forthcoming U.S. Trade Activity, and Tariff Mitigation for Machinery and Parts of Machinery for Agricultural and Horticultural Use)
5. Update on Trade War: U.S. Imposes Tariffs on Steel and Aluminum, Response from Targeted Countries, and China Imposes Retaliatory Tariffs, Feb. 12, 2025

6. Update on Trade War: U.S. Releases Lists of Additional Derivative Articles of Steel and Aluminum Which Will be Subject to Section 232 Tariffs, and Issues a Presidential Memorandum on Reciprocal Trade and Tariffs, Feb. 17, 2025
7. Update on Trade War: U.S. to Move Forward with 25% Tariffs on Mexico and Canada Products and Double Tariff on Chinese-Origin Products to 20%; Section 232 Investigation on Copper Imports; USTR Requests Comments, Feb. 28, 2028.
8. Trade War Update, U.S. Tariffs on Canadian and Mexican Origin Goods; Increase in U.S. Tariffs on China; New Section 232 Tariffs on Derivative Articles of Steel and Aluminum Go into Effect; Tariff Investigations on Timber, Mar. 4, 2025.
9. Trade War Update: New Section 232 Tariffs on Derivative Articles of Steel and Aluminum Go into Effect Today – March 12, 2025.
10. Trade War Update: U.S. Imposes Automotive Tariffs; "Secondary Tariffs" on Countries Importing Oil or Gas from Venezuela; CBP Issues FAQs on Steel and Aluminum Derivatives; April 2 Reciprocal Tariff Actions; and Anticipated Sectoral Tariffs on Pharmaceuticals and Lumber, March 29, 2025.
11. Reciprocal Tariffs and other tariff actions taken on Tariff Liberation Day, April 3, 2025.
12. Section 232 on Pharmaceuticals, Semiconductors, Critical Minerals, Electronic goods, FAQ; April 17, 2025.
13. Stacking Tariffs, De Minimis Changes, Auto Tariff Adjustments, Section 232 Inclusion Process, CBP's IEEPA FAQ Update, CBP Summit, and Potential 100% Tariff on Films May 7, 2025.

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We will continue to monitor this situation closely and will report all significant developments. In the interim, please do not hesitate to reach out to us with questions or requests for additional information at Jessica Rifkin (jrifkin@ofwlaw.com) or Denise Calle (dcalle@ofwlaw.com).