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MEMORANDUM

June 19, 2025

BY ELECTRONIC MAIL

FROM: Olsson Frank Weeda Terman Matz PC

RE: Trade War Update: Terms of the U.S.-U.K. Deal and other Trade Updates.

This memorandum outlines recent trade-related developments that may affect your business operations. It covers: (1) key provisions of the newly implemented U.S.–U.K. Economic Prosperity Deal; (2) updated reporting requirements concerning the country of smelt and cast for aluminum derivative imports, including a requirement that importers report at the highest 200% duty rate if the country is unknown; and (3) the U.S. Senate's confirmation of Rodney Scott as Commissioner of U.S. Customs and Border Protection.

1. Executive Order on U.S.-U.K. Economic Prosperity Deal

On June 17, 2025, President Trump signed an Executive Order implementing American commitments under the United States-United Kingdom Economic Prosperity Deal. The following are the terms of the agreement for specific sectors.

Tariff-Rate Quota (TRQ) for Automobiles

- **Annual Quota:** The U.S. has established an annual TRQ of 100,000 automobiles classified under heading 8703 of the Harmonized Tariff Schedule of the United States (HTSUS), for automobiles that are products of the United Kingdom.
- **Tariff Within Quota:** Imports of U.K.-origin automobiles within this quota that would otherwise be subject to a 25% Section 232 tariff under Proclamation 10908 of March 26, 2025, will instead be subject to a 7.5% tariff, in addition to the most-favored-nation (MFN) rate of 2.5%, for a combined tariff of 10%.
- **Tariff Above Quota:** Imports of U.K. automobiles exceeding the 100,000-unit annual

quota will remain subject to the full 25% Section 232 tariff imposed by Proclamation 10908.

- **Effective Date:** The new tariff rate quota will become effective seven days after publication of the Executive Order in the Federal Register., which we expect will happen shortly. For calendar year 2025, the quota will be adjusted to reflect the operative date of May 8, 2025.

Automobile Importers: U.K. automobile manufacturers and U.S. importers should monitor quota usage closely to ensure eligibility for the reduced 10% tariff rate. Imports above the quota will incur a 25% higher tariff.

Tariff Treatment for Automotive Parts

Automotive parts specified in note 33(g) to subchapter III of chapter 99 of the HTSUS (i.e. parts that currently are subject to the 25% Section 232 tariff) that are products of the United Kingdom and are intended for use in U.K.-origin automobiles will now be subject to a total tariff of 10%, inclusive of any MFN tariffs. This change will be effective as of the date of publication in the Federal Register of an implementing notice modifying the HTSUS, which will take place within 7 days of the publication of the Executive Order in the Federal Register.

Parts Suppliers: U.K. suppliers of qualifying automotive parts for use in U.K.-origin vehicles will benefit from the reduced tariff rate, but should ensure compliance with HTSUS classifications and end-use requirements.

Aerospace Products: Tariff Adjustments

U.K. products for civil aircraft, notably engines and parts (such as those produced by Rolls-Royce), will be exempted from tariffs imposed under previous executive actions. The exemption applies to products falling under the World Trade Organization Agreement on Trade in Civil Aircraft. This includes, but is not limited to, civil aircraft, aircraft parts, and related aerospace components. This removes the reciprocal 10% tariff that had been applied to U.K. aerospace goods and the Section 232 Tariffs on Steel and Aluminum products and derivatives used in aerospace products traded between the U.S. and the U.K.

U.S. and U.K. aerospace manufacturers and suppliers should review the updated tariff schedules to identify products newly eligible for eliminated tariffs. This may present opportunities for cost savings and expanded market access.

Aluminum and Steel Articles and Their Derivative Articles: Future TRQ

President Trump's June 3, 2025 Proclamation provided that while the Section 232 tariffs on articles of steel and aluminum and derivative articles of steel and aluminum would be raised to 50%, U.K.-origin articles would remain subject to a 25% Section 232 tariff rate until July 9, 2025; after July 9, the Secretary of Commerce would have the discretion to impose quotas or further adjust the tariff rate of these products. The June 17 Executive Order now provides that in

consultation with the USTR, the Secretary of Commerce will establish TRQs for U.K.-origin steel and aluminum articles and derivative articles of steel and aluminum at a "future time" that he "deems appropriate." Like the TRQ on U.K.-origin automobiles, imports of U.K.-origin steel and aluminum articles and derivative articles of steel and aluminum in excess of the TRQ would remain subject to the full 25% Section 232 tariff rate.

Commitments for Further Negotiations for Pharmaceuticals and Steel and Aluminum

The U.S. and U.K. have committed to negotiate significantly preferential treatment for U.K. pharmaceuticals and pharmaceutical ingredients, contingent on the findings of the Section 232 investigation on pharmaceuticals and pharmaceutical ingredients currently in process and the U.K.'s compliance with certain supply chain security standards. The goal is to facilitate faster market access for innovative medicines and reduce costs for healthcare providers and patients.

Section 232 Aluminum Import Instructions for Reporting Unknown for the Country of Smelt and Cast

CBP issued an updated guidance (CSMS # 65340246) on how to report the country of smelt and cast on derivative aluminum imports when the product is subject to Section 232 aluminum measures, but the importer does not know the country of smelt and cast. Effective June 28, 2025, if importers cannot determine the country where the aluminum was smelted or cast, they must report it as "unknown." This means that a 200% Section 232 duty—meant to target Russian aluminum—will be applied to that entry line.

U.S. Senate Confirms Rodney Scott as Commissioner of U.S. Customs and Border Protection

Yesterday, the U.S. Senate confirmed Rodney Scott to serve as Commissioner of U.S. Customs and Border Protection (CBP). As Commissioner, Scott is charged with leading more than 60,000 employees and ensuring the advancement of the agency's mission, strategic objectives, and related Administration priorities. He directs CBP's three core missions: counterterrorism, border security, and trade enforcement, while facilitating $4 trillion in trade and facilitating travel of over 410 million people through ports of entry.

While Commissioner Scott is a career law enforcement professional with over three decades of service at CBP, Sen. Ron Wyden (D-OR), stated Scott had no experience in inspecting goods coming into the country and issues of trade.

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.
14. 90-Day Pause for 125% IEEPA China Tariff UK-US Fair Trade Deal, and Trade Negotiations with other Nations, May 12, 2025.
15. OFW Memo - Trade War Update CIT Ruling On IEEPA Tariffs and Subsequent Actions, June 2, 2025.
16. Section 232 Tariffs on Steel and Aluminum and their Derivatives Double to 50% Effective June 4, June 5, 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).