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MEMORANDUM

July 25, 2025

BY ELECTRONIC MAIL

FROM: Olsson Frank Weeda Terman Matz PC

RE: Customs and Trade Update: U.S. Trade Deals Announced with Indonesia, Japan, and Philippines; EU's Updated Retaliatory Tariff List

This memorandum outlines recent trade-related developments that may affect your business operations.

President Trump has announced trade deals with Indonesia, Japan, and the Philippines. Under the terms of the deals, imports of Indonesian-origin goods will be subject to a 19% tariff rate, which is substantially lower than the initial 32% announced on April 2 (currently suspended until August 1).

Imports of Japanese-origin goods will be subject to a 15% tariff rate, replacing the previously announced 25% rate.

Imports of Philippines-origin goods will be subject to a 19% tariff rate, which is slightly lower than the recent 20% rate announced in President Trump's country-specific tariff letter to the Philippines, but slightly higher than the initial 17% tariff rate announced on Tariff Liberation Day.

The adjusted tariff rates for goods of all three countries will be effective for imports entered for consumption on and after August 1.

1. U.S.-Indonesia Agreement on Reciprocal Trade

On July 22, 2025, the United States and Indonesia announced that an agreement has been reached on a "Framework for an Agreement on Reciprocal Trade." The terms of the deal have not been released; however, the White House Fact Sheet and statement provide details of the agreement as

summarized below. The U.S. and Indonesia will finalize the agreement, prepare it for signature, and complete domestic formalities to bring it into force.

Key Provisions

Tariff Adjustments

- Indonesia will eliminate approximately 99% of tariffs on U.S. industrial products (including information and communications technology, automotive products, and chemicals), health products, food (including seafood), and agricultural exports.
- The U.S. will reduce tariffs on Indonesian-origin goods to **19%**, with potential further reductions for commodities that are "not naturally available or domestically produced in the United States.". No specific sectors or industries for such non-domestically produced commodities were mentioned.
- ***Recommendation***: Include Tariff Adjustment provisions in your purchase and sale contracts to apportion responsibility for tariff liability when rates increase and reduce.

Potential Changes to Rules of Origin/Higher Tariff Rates on Goods Produced from Non-Indonesian Inputs

- President Trump's letter to Indonesia stated that goods that were "transshipped" through Indonesia would be subject to higher (unspecified) tariff rates. The letter did not define what goods would be considered to be "transshipped;" however, there has been widespread speculation that higher tariff rates would apply to goods produced in Indonesia from a certain level of non-Indonesian imports (again, unspecified). The fact sheet and joint statement appear to retain this concept, as they state that the US and Indonesia "will negotiate facilitative rules of origin that ensure the benefits of the agreement accrue primarily to the United States and Indonesia.".

Non-Tariff Barrier Reforms

- Indonesia will exempt U.S. goods from local content requirements;
- Accept U.S. standards for vehicles, pharmaceuticals, cosmetics, and medical devices;
- Remove labeling, licensing, and pre-shipment inspection requirements;
- Commit to adopt good regulatory practices; and
- Resolve IP issues flagged in the USTR's Special 301 Report.

Agricultural Market Access

- Indonesia will exempt U.S. food/agricultural exports from import licensing and commodity balance requirements.
- Indonesia will recognize U.S. food safety oversight and permanent Fresh Food of Plant Origin (FFPO) designation for U.S. plant products.

Digital Trade & Services

- Indonesia will eliminate tariffs on intangible products and import declaration requirements;
- Support WTO moratorium on e-transmission duties and implementation of the Joint Initiative on Services Domestic Regulation; and
- Recognize U.S. data protection adequacy for cross-border transfer of the movement of personal data out of its territory to the United States.

Forced Labor

- Significantly, Indonesia will implement a forced labor import ban, joining the handful of countries to adopt an outright ban (currently, only the U.S., Canada, and Mexico ban the

importation of goods made with forced labor. While the EU has adopted an import ban, its regulations have not yet fully entered into force. Indonesia will also reform its labor laws to protect union rights.

Environmental Commitments

- Indonesia will enforce environmental laws, including forest governance, fisheries subsidies, and wildlife trade.

Steel and Critical Minerals

- Indonesia commits to joining the Global Forum on Steel Excess Capacity and taking effective actions to address global excess capacity in the steel sector and its impacts.
- Indonesia will remove export restrictions on critical minerals and other industrial goods.

National Security & Supply Chain Cooperation

- Both countries will cooperate on export controls, investment security, and duty evasion enforcement.

The joint statement and fact sheet are silent as to the applicability of Section 232 tariffs and their interplay with the newly announced 19% tariff rate.

U.S.–Japan Strategic Trade and Investment Agreement

On July 23, 2025, the United States and Japan announced the U.S.–Japan Strategic Trade and Investment Agreement.

Key Provisions

Tariff Adjustments

Imports from Japan will be subject to a **15%** tariff rate, replacing the previously proposed 25% rate.

Investment Commitments

- Japan will invest $550 billion as directed by the United States, to rebuild and expand core American industries. 90% of profits from these investments will be retained by the U.S., ensuring domestic economic benefit. These funds will be targeted toward revitalizing the following American sectors:
    - **Energy infrastructure and production**, including LNG, advanced fuels, and grid modernization;
    - **Semiconductor manufacturing and research**, rebuilding U.S. capacity from design to fabrication;
    - **Critical minerals mining, processing, and refining**, ensuring access to essential inputs;
    - **Pharmaceutical and medical production**, ending U.S. dependence on foreign-made medicines and supplies; and
    - **Commercial and defense shipbuilding**, including new yards and modernization of existing facilities.

Market Access for U.S. Exports

Agriculture & Food

- Japan will allow a 75% increase in U.S. rice imports with quota expansions.
- Japan will make $8 billion in purchases of U.S. corn, soybeans, fertilizer, bioethanol, and sustainable aviation fuel.

Energy

- Japan will permit expanded U.S. energy imports.
- Both countries are exploring an Alaskan liquefied natural gas (LNG) offtake agreement.

Manufacturing & Aerospace

- Japan will purchase U.S. commercial aircraft, including 100 Boeing aircraft.
- Japan will make billions in annual U.S. defense equipment purchases.

Automobiles & Industrial Goods

- Japan will remove restrictions on imports of U.S. cars and trucks.
- Japan will allow approval of U.S. automotive standards in Japan.
- Japan will provide broader market access for U.S. industrial and consumer goods.

The White House fact sheet on the US-Japan deal is silent as to the applicability of Section 232 tariffs and their interplay with the announced 15% tariff rate.

U.S.–Philippines Trade Agreement

President Trump announced via social media a trade deal with the Philippines, which includes an open market for US exports with zero tariffs, while Philippines-origin imports to the U.S. will be subject to a **19%** tariff rate.

Philippines President Marcos clarified the scope of the Philippines' commitments under the emerging trade arrangement with the U.S. Substantive details are still being negotiated across multiple export and import sectors. The Philippines has not agreed to zero out tariffs across all U.S. goods. Tariff elimination will be targeted toward "particular markets the U.S. cares about," including automotive exports. The Philippines has agreed to increase purchases of select U.S. products—specifically soy, wheat, and pharmaceuticals.

The announcements have not addressed the applicability of Section 232 tariffs.

Update on Ongoing Trade Negotiations with Other Nations

U.S.–European Union

European Union member states have formally approved a consolidated list of countermeasures targeting €93 billion worth of U.S. goods, in response to the U.S. administration's planned 30% blanket tariff on EU imports effective August 1.

The package includes two previously separate lists—covering €21 billion and €72 billion worth of US imports—merged into a single, streamlined tariff schedule. Targeted sectors include aircraft, automobiles, wine, medical equipment, and electrical goods.

The countermeasures will take effect on August 7, but only if the EU and U.S. fail to reach a

negotiated trade agreement by the August 1 deadline.

Talks remain active, with both sides signaling openness to a deal that could mirror the recent U.S.–Japan framework, potentially settling on a 15% baseline tariff for EU goods.

While member states have adopted the list, the European Commission has not yet formally enacted the measures, pending the outcome of the ongoing negotiations with the U.S.

U.S.–China

Chinese-origin goods generally are subject to an effective 55% tariff rate at present under a "truce" agreement (10% reciprocal tariff + 20% IEEPA/fentanyl tariff + 25% Section 301 tariff if applicable); the truce agreement is due to expire on August 12. Treasury Secretary Bessent is meeting with his Chinese counterpart this week to discuss a potential extension of the August 12 deadline. Bessent said that the August 12 deadline may likely be extended, and that there may be additional 90 day extensions as the US and China continue to negotiate.

Bessent also noted that Chinese and Indian exports will be subject to the "secondary" tariffs on Russian goods, specifically 100% tariffs if the two countries continue buying Russian oil, and if Russia doesn't stop its assaults on Ukraine.

Blanket (Baseline) Tariff Rate on Other Countries

Previously, Commerce Secretary Lutnick and President Trump stated that the 10% baseline tariff currently applied to most countries will remain in place and will not be negotiated away in exchange for market access concessions. This policy applies broadly to smaller economies, including Latin American countries, Caribbean nations, and many countries in Africa. The administration indicated that while larger economies may negotiate tailored frameworks, smaller nations will be subject to a uniform 10% duty on exports to the U.S.

Earlier this week, however, President Trump stated that while he had been considering a baseline tariff on smaller countries of either 10% or 15%, he is now considering imposing a "straight, simple tariff of anywhere between 15% and 50%" on those countries.

Ban on German Cars?

At a reception for lawmakers, President Trump threatened to ban the import of German cars if the EU does not allow drugmakers to sell pharmaceuticals in their countries at higher prices. Whether this threat becomes a reality remains to be seen.

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.
17. Trade War Update: Terms of the U.S.-U.K. Deal and other Trade Updates, June 19, 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).