

Client Alert

International Trade

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For more information, contact:

Stephen J. Orava (Steve)
+1 202 661 7937
sorava@kslaw.com

J. Michael Taylor
+1 202 626 2385
jmtaylor@kslaw.com

Stephen P. Vaughn
+1 202 626 9230
svaughn@kslaw.com

Ryan Majerus
+1 202 626 9279
rmajerus@kslaw.com

Patrick J. Togni
+1 202 626 2958
ptogni@kslaw.com

Jeffrey M. Telep
+1 202 626 2390
jtelep@kslaw.com

King & Spalding

Washington, D.C.
1700 Pennsylvania Avenue, NW
Suite 900
Washington, D.C. 20006
T. +1 202 737 0500

President Trump Begins Sweeping Effort to Rebalance Trade Relations Through His Reciprocal Tariffs and Trade Plan

The President announced a plan to impose reciprocal tariffs or other restrictions on trading partners equal to the sum total of **all** identified trade barriers created by their economic policies. *Through this process, clients will have a rare opportunity to address any and all market access concerns and engage with the Administration on appropriate relief for nearly every tariff and trade barrier imposed by trading partners.*

On February 13, 2025, President Trump signed a Memorandum on Reciprocal Trade and Tariffs aimed at reducing the U.S. trade deficit in goods. It does not provide for tariffs immediately, but instead initiates a process, led by the Commerce Secretary and the USTR, to review thoroughly how each U.S. trading partner treats U.S. goods and propose remedies that may result in additional tariffs. The review of non-reciprocal arrangements will include:

- foreign **tariffs** on U.S. products,
- **extraterritorial taxes** on U.S. products such as **VATs**,
- **non-tariff barriers** that restrict U.S. exports,
- policies and practices that impact **exchange rates**,

- domestic and export **subsidies** provided by other countries, and
- **other practices** that hinder market access and fair competition.

After federal agencies submit the reports required by the President's "America First Trade Policy" Memorandum on or before April 1, 2025, the reciprocal tariffs memorandum calls on the USTR and Commerce Secretary, in coordination with other agencies including Treasury, to initiate "all necessary actions to investigate the harm to the United States from any non-reciprocal trade arrangements adopted by any trading partners"; and upon completion of such actions, the agencies shall submit to the President a report "detailing proposed remedies in pursuit of reciprocal trade relations with each trading partner." In addition, USTR and Commerce can solicit data from the public, including on impacts of unfair trade to U.S. companies, during their investigations.

Along with the Memorandum, the Administration released a Fact Sheet specifically noting certain trade practices of U.S. trading partners as unfair, including (1) Brazil's tariffs on U.S. ethanol imports, (2) India's average applied MFN tariff of 39% and its 100% tariff on U.S. motorcycles, (3) the EU's ban on U.S. shellfish imports and its 10% tariff on U.S. cars, and (4) digital service taxes imposed by countries such as France and Canada.

The timing of such actions and reporting has no certain deadline and may vary by statutory authority and agency. The memorandum directs the Office of Management and Budget ("OMB") to evaluate, within 180 days, the "fiscal impacts on the Federal Government and the impacts of any information collection requests on the public."

KEY TAKEAWAYS

The memorandum's sweeping review of import restrictions indicates that the Administration views "reciprocity" as far more than modifying U.S. tariff rates to match those of our trading partners for particular products. Rather, the Administration seeks to rebalance trade relations by accounting for broadly-defined economic barriers maintained by trading partners, and conducting an analysis of the appropriate tariffs or other restrictions on their imported products to account for those barriers. This may lead to the U.S. imposing even higher reciprocal tariffs on our trading partners' imports than they currently impose on U.S. products. It is unclear whether the Administration will impose reciprocal tariffs targeted to specific products or sectors, or how U.S. Customs will administer them. Clients need carefully to evaluate the impact of these wide-ranging tariffs on their business and supply chains, and clients should take advantage of the opportunity actively to engage with the agencies performing these investigations over the next two months and beyond.

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