ICAT logistics, inc.

INDUSTRY UPDATE

Current U.S. Trade Implementation

April 4, 2025

WHAT IS HAPPENING?

The U.S. government is imposing new and increased duties on imported goods from various countries. These duties stem from multiple trade laws that were previously implemented, including Section 301 and Section 201 of the Trade Act of 1974, Section 232 of the Trade Expansion Act of 1962, and IEEPA (International Emergency Economic Powers Act), which all authorize the President to set duties and tariffs based on specific criteria.

The current administration has issued three proclamations regarding duties that will significantly expand tariffs on imported goods. Here is the breakdown of the key announcements:

1. **February 1, 2025** – The first proclamation cites the ongoing fentanyl crisis as a national emergency under the IEEPA. The government states that illicit drug distribution networks, specifically those linked to China, Canada, and Mexico, are contributing to the crisis. With that, duties have been imposed as follows:
    a. **20% tariffs on imports from China**; and
    b. **25% tariff on imports from Canada and Mexico** (unless they qualify under USMCA).
2. **March 24, 2025** – The second proclamation targets countries that continue to import oil from Venezuela due to the Maduro regime's polices that threaten U.S. national security and foreign policy. Although no specific tariff rates or effective dates have been finalized, the administration has alluded to the following:
    a. Tariffs will be imposed on goods originating from countries that purchase Venezuelan oil; and
    b. The intent is to deter foreign support for the Venezuelan government and reduce its ability to fund activities deemed contrary to U.S. interests.
3. **April 1, 2025** – The third and most extensive proclamation addresses the long-standing trade imbalances between the U.S. and its trading partners. The government argues that many trading partners set higher tariffs and non-tariff barriers on U.S. goods while benefiting from lower U.S. tariff rates, as well as suppressing wages and domestic consumption which has led to artificially high trade surpluses against the U.S.

The implementation timeline is as follows:

1. **April 5, 2025 – Introduction of a 10% minimum tariff on ALL imported goods**

    A baseline 10% duty will apply to ALL imported goods with a few exceptions, including personal baggage, goods from Canada and Mexico that qualify under USMCA, items already subject to higher duty rates under Section 232 (steel, aluminum, automobiles), specific categories of goods, such as pharmaceuticals, integrated circuits, and critical minerals, and shipments that were already in transit prior to April 5th.

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2. **April 9, 2025 – Higher, country-specific tariffs will replace the 10% rate**

   Instead of a flat 10% tariff, **57 different countries** will be subject to higher duty rates based on the severity of trade imbalances with the U.S. Goods from Canada and Mexico that do not qualify under USMCA will continue to be taxed 25% from the February 1 proclamation. In addition, some Chinese goods could see taxes exceeding 70%.

WHY IS IT HAPPENING?

The U.S. is implementing these tariffs for several reasons, including:

1. **Economic Protectionism** – This looks to protect domestic industries from foreign competition.
2. **National Security Concerns** – Preventing reliance on foreign materials critical to the country's safety.
3. **Trade Retaliation** – This is in response to unfair trade practices by other nations.
4. **Public Health Crisis** – Penalizing countries that are heavily linked to the ongoing fentanyl crisis within the U.S.
5. **Trade Imbalance Correction** – This will target countries with large trade surpluses against the U.S.

WHAT DOES IT MEAN FOR YOU?

Importers should take action to investigate their products to see if steel and/or aluminum content can replace the R-IEEPA tariff with a potentially lower Section 232 tariff. They should find out if more than 20% of their imported products may have U.S. origin that could be claimed and earn a partial waiver of the reciprocal tariffs. Customs has warned that should claims of U.S.-origin content be deemed false, the penalty would include duties assessed on the whole value.

The White House has advised that these duty rates may yet be adjusted in reaction to specific trade partners' responses. Countries that attempt to rectify the trade imbalance with the United States may see their rates reduced. Countries that levy reciprocal tariffs in response will likely face higher rates.

This is a very fluid situation, and our team will continue to monitor and provide updates that could potentially impact your business. If you have any immediate questions or concerns, please reach out to your ICAT Logistics representative or office for further information.