

February 21, 2025

Volume 5, Issue 4

Online ISSN 2837-3863
Print ISSN 2837-3855

What's Been Happening

1 — Trump Threatens to Run Hog Wild on Trade Partners with Reciprocal Tariffs Plan — 1

[In One Sentence]

- President Trump instructed his Commerce Secretary and U.S. Trade Representative to assess foreign tariff and non-tariff barriers, including value-added taxes, and propose measures for potential reciprocal duties.
- President Trump said that he does not anticipate trading partners will adjust their tariff rates in response to the reciprocal tariffs he has pledged to impose.
- Trump's reciprocal tariffs would have the greatest impact on high tariff major markets, such as India, and also raise the ante vis-a-vis partners such as the European Union, which runs a \$160 billion-plus trade surplus with the U.S.
- Despite rising inflation, President Trump has ordered the investigation into new reciprocal tariffs with an eye to boosting customs revenue, with the Director of the White House Office of Management and Budget tasked to assess the fiscal impacts of the tariffs and report back within 180 days.

[Mark the Essentials]

- The head of the European Parliament's trade committee stated that the EU is open to negotiations with the new U.S. administration on economic interests like autos and liquefied natural gas. However, he warned that politically motivated tariffs could prompt Brussels to impose countermeasures.
- The exact structure of Trump's reciprocal tariffs remain somewhat shrouded in uncertainty with Treasury Secretary Scott Bessent leading a study to develop a "reciprocal index" that would match foreign tariffs, though key details and its timing suggest it may be more of a negotiation tactic than imminent policy.
- President Trump has pledged to establish an "External Revenue Service" to collect duties and payments from foreign countries, placing the agency under the oversight of Commerce's Howard Lutnick and Treasury's Scott Bessent.
- Trump has also ordered a comprehensive reassessment of U.S. tariff rates, directing agencies to recalculate duties product by product to match foreign tariffs and account for non-tariff barriers like subsidies and currency manipulation.

[Keeping an Eye On...]

- So, what is one to make of Trump 2.0's reciprocal tariffs? In July 2018, a Trump acolyte – and current Trump 2.0 Transportation Secretary, Sean Duffy – had introduced a United States Fair and Reciprocal Tariff Act that would provide the president the authority to “impose a rate of duty on imports of that good from [a] country that is equal to the rate of duty applied by that country” on a like U.S. good. Or in Trump's words at the time, “fairness really”. The leverage of threatened tariff hikes would compel countries to come to the table and lower their tariff and non-tariff barriers on U.S. goods, or so the thinking went. The bill went nowhere at the time, generally viewed as something between quixotic and crackpot. Not so, today. Donald Trump's Reciprocal Trade and Tariffs Memorandum of February 13 is being viewed with deadly seriousness – and trepidation, given that the Trump team is evidently seeking reciprocity across a range of policy areas (non-market policies; ‘unfair’ trade practices; exchange rates) that extend beyond mere tariff and non-tariff barriers. And although President Trump does not in most likelihood enjoy the authority to unilaterally impose reciprocal tariffs (it is for Congress to delegate this authority to him), a new Reciprocal Trade Act bill is already making the rounds in Congress (not that it will necessarily pass). Besides, Trump could always rummage through the statute book and find an authority to his liking, such as Section 338 of the Tariff Act of 1930 which allows the president to impose additional duties of up to 50 per cent on countries that discriminate against U.S. exports. Tellingly, Section 338's last threatened usage was during the early-1930s Smoot-Hawley tariff era – a period relatable to Trump's tariff antics.

Be that as it may, how valid is the idea of reciprocal tariffs? For starters, reciprocal tariffs are completely unlawful as per current multilateral trade law (which thankfully is not stuck in the early-1930s); such tariffs essentially stand the non-discrimination principle on its head. WTO member states are allowed to bind and apply their tariffs at any rate they please but must offer the same rate to all trading partners (by way of an exception to the rules, this standard of equal treatment can be relaxed for preferential trade partners). If a country wishes to modify, and raise, its sectoral tariff bindings in order to provide policy space, there is a pathway to do so too without having to negotiate bindings with all 160+ WTO trade partners. Given the U.S.' standing within the system and the importance of having it abide by the system's laws, other major economies might be willing to cut it the necessary slack rather than extract substantially equivalent concessions. But countries are not allowed to levy different duties on an identical good to different trading partners and thus discriminate amongst them, which is what the reciprocal tariffs would amount to.

But more to the point, how wise – or unwise – are such tariffs? Reciprocal tariffs might sound fair and just in the Trumpian headspace but it is by no means a given that if a U.S. trade partner reduces its tariff to the level in the U.S.' schedule of commitments, that the benefit from the lowering of the tariff level would accrue to U.S. producers. In fact, the benefits will most likely redound to more competitive manufacturers – either an East or Southeast Asian one or a German or Central European one. Even in the area of agriculture, U.S. producers stand to be outcompeted by Brazilian, Argentine, Australian and New Zealand ranchers and farmers. So much for lowering foreign partners' tariffs then (although if Trump is successful in doing so, it would amount to a major new round of multilateral trade liberalization – call it the Trump

Reciprocal Round!). Reciprocal tariffs are probably in Trump's view a ruse to raise U.S. tariffs on a select few major trading partners with high tariff levels, such as India and Brazil, and thereafter utilize the leverage to shake them down for particular market access gains. Not great, but by the same token it would not amount to being a terrible abuse of authority and power either.

[Expanded Reading]

- [Trump Announces 'Reciprocal' Tariffs Across The Globe](#), *The New York Times*, February 13, 2025
- [Trump's Reciprocal Tariffs Would Hit These European Union Products That Americans Buy The Hardest](#), *CNBC*, February 13, 2025
- [Trump Orders Up A Plan For More Tariffs, Even As Inflation Heats Up](#), *CNN*, February 14, 2025
- [Trump Will Enact Reciprocal Tariffs 'If He Needs To', Says Treasury Chief Bessent](#), *Forbes*, February 14, 2025
- [What's In Trump's New Order On Reciprocal US Tariffs?](#), *Reuters*, February 14, 2025
- [Statement On The US Reciprocal Tariff Policy](#), *European Commission*, February 14, 2025

2 — Steel and Aluminum Tariffs Leave U.S. Partners Shaken and Stirred — 2

[In One Sentence]

- On February 10, President Trump announced a 25% tariff on steel and aluminum imports from all countries, including those that previously secured exemptions during his first term.
- The 25% tariff on steel and aluminum will impact allies like Canada, Brazil, Mexico, and South Korea, likely triggering retaliatory tariffs as seen in Trump's first term.
- In response to Trump's 25% tariff on steel and aluminum, major exporters like Japan have requested exemptions, while South Korea is seeking discussions with U.S. officials to address the measures.
- On February 7, President Trump announced that Japan's Nippon Steel will abandon its \$14.1 billion bid for U.S. Steel and instead make significant investments in the company without acquiring a majority stake.

[Mark the Essentials]

- The European Union, Canada, and other major U.S. trading partners have condemned Trump's decision to reinstate steel and aluminum tariffs, urging Washington to reconsider the move.
- Japan has requested exemption from the U.S.' 25% steel and aluminum tariffs, with Chief Cabinet Secretary Yoshimasa Hayashi claiming to lobby for relief before the measures take effect.
- If the threatened duties take effect on March 12, the 25% tariffs on steel and aluminum will push total levies on Canadian goods to 50%, which Prime Minister Justin Trudeau has called "unacceptable," and has vowed a firm and clear response.
- Steel tariffs will likely raise costs for U.S. manufacturers, leading carmakers to increase prices for consumers, while aluminum tariffs may drive up prices for beverages in aluminum cans, including beer and soft drinks.
- Despite U.S. and Japanese leaders rejecting the takeover rhetoric, Nippon Steel still aims to acquire U.S. Steel via a new deal structure, although it remains to be seen if this structure will pass muster at the American end.

[Keeping an Eye On...]

With Round Two of additional Section 232 national security tariffs on steel and aluminum due to kick-in on March 12, it is worth sparing a moment to take stock of Round One of the tariffs during Trump 1.0. On April

20, 2017, the Trump administration kicked off a sweeping investigation under Section 232 of the Trade Expansion Act to determine whether steel imports threaten America's national security. In its January 11, 2018 report titled "The Effects of Imports of Steel on the National Security", the Commerce Department duly found that excessive steel imports – which constituted about 30% of U.S. domestic demand - had injured the domestic industry, directly challenged the U.S. steel industry's financial viability to invest for the future and meet the projected needs of the U.S. military and critical infrastructure sectors, and thereby threatened to impair the U.S.' national security. On this basis and starting March 23, 2018, the administration imposed a 25 percent tariff on a range of steel imports, with intent to ensure an 80 percent capacity utilization rate within domestic industry (a further set of tariffs on derivative steel articles – nails, tacks, pins, staples, etc., - was announced in January 2020). Several allies and partners – Australia, Argentina, Brazil, Canada, the European Union, Mexico, South Korea – were initially afforded exemptions from the tariffs following the Defense Department's objections. During internal deliberations, DoD had pushed back against the Commerce Department's findings, noting that its ability to acquire the steel necessary to meet national defense requirements was unimpacted. This pushback had bearing, given that the relationship between the U.S. military's needs and the U.S. industries' ability to meet those needs had been the express purpose of the Section 232 statute at the time of its legislative passage in 1962.

Trump 1.0's March 2018 steel and aluminum tariffs were met with a raft of foreign countermeasures, including China's countermeasures on \$2.7 billion worth of U.S. fruits, nuts, wines, meat, steel pipes and aluminum waste exports. Cases were also filed at the WTO by Canada, China, the European Union, India, Mexico, Norway, Russia, Switzerland and Turkey, and dispute settlement body (DSB) panels ruled in four of these cases in January 2023 that the tariffs were inconsistent with the U.S. obligations under the GATT's Most Favored Nation treatment provision as well as the Security Exceptions provision (the measures had not been "taken in time of war or other emergency in international relations"), and were thereby unlawful. Later that March, the U.S. International Trade Commission (USITC) released its findings of the effects of the steel Section 232 tariffs, noting that on average from 2018 to 2021, the Section 232 tariffs had reduced imports of affected steel products by 24 percent, increased the price of steel products in the United States by 2.4 percent, and increased U.S. production of steel products by 1.9 percent. U.S. importers bore nearly the full cost of these tariffs because import prices increased at the same rate as the tariffs. And while the Section 232 tariffs did increase domestic sourcing, it also reduced production in downstream industries that use steel inputs to the tune of \$3.5 billion. Unhelpful but not earth-shattering numbers.

Will Round Two of the Section 232 national security steel tariffs be any different? Their economic impact will likely be just as negative for downstream industry and foreign exporters alike, and perhaps even more so given the elimination of exclusions for allies and partners in order to achieve the domestic industry's 80% capacity utilization rate (it currently hovers at 75%). The tariffs are additionally being imposed without even the pretense of a prior investigative review, which might procedurally open them up to a domestic legal challenge. And as for their consistency with international law, the Round Two steel tariffs will be found to be just as unlawful as its Round One predecessor. Not that it would matter to Mr. Trump though.

[Expanded Reading]

[Trump Steel, Aluminum Tariffs Likely To Drive Up Car Costs, Industry Leaders Say](#), AP News, February 11, 2025

- [What Trump's Aluminum And Steel Tariffs Will Mean, In Six Charts](#), *Council on Foreign Relations*, February 14, 2025
- [Trump Targets Auto Imports With New Tariffs By April](#), *CBT News*, February 17, 2025
- [Ishiba Questions The Politics Of Nippon Steel-U.S. Steel Deal Rejection](#), *Japan Times*, February 18, 2025
- [Canada Leaders Take Push Against Tariffs To White House](#), *BBC*, February 12, 2025

On the Hill



[Legislative Developments]

- The Senate Commerce Committee advanced two bipartisan supply chain bills to strengthen resilience and domestic manufacturing, while approving Howard Lutnick's nomination for Commerce Secretary.
- Lawmakers reintroduced a bipartisan bill to establish a commission for a U.S. Indo-Pacific trade strategy to counter China and strengthen American interests.

[Hearings and Statements]

- Rep. Rosa DeLauro urged ending global *de minimis* tariff waivers, calling targeted reforms ineffective and advocating comprehensive changes to close loopholes and strengthen trade enforcement.
- House Republicans have proposed normalizing U.S.-Taiwan relations, ending the One China Policy, and starting free trade talks to recognize Taiwan's sovereignty.
- US Trade Representative nominee Jamieson Greer defended tariffs as a vital enforcement tool under Section 301, though Democrats criticized him as a likely 'rubber stamp' for Trump's trade policies.
- Jamieson Greer also prioritised negotiating reciprocal trade deals to address trade imbalances, stating that countries enjoying access to U.S. markets must reduce barriers or face consequences.
- The Senate Finance Committee has advanced Greer's nomination with Democrats raising concerns about Greer's potential lack of influence over trade decisions while all Republicans praised his experience.
- Rep. Linda Sánchez has urged comprehensive congressional action on *de minimis* reform, arguing that Trump's executive actions are temporary and insufficient as a lasting solution.
- Democrats criticized Trump's tariff policies for worsening farmers' uncertainty, while lawmakers and witnesses urged passing a farm bill with increased trade program funding.
- Lawmakers have urged the USDA to prepare for potential Chinese retaliation against U.S. agriculture following Trump's tariffs, emphasizing USDA programs, multilateral cooperation, and protective measures.
- USTR nominee Jamieson Greer supported exploring carbon tariffs to address foreign emissions and enhance U.S. competitiveness, with lawmakers and environmental groups advocating for cleaner trade policies.

[Expanded Reading]

- [Trump US Trade Rep Pick Jamieson Greer Advances Out Of Senate Finance Committee](#), *Fox News*, February 12, 2025
- [On Multiple Fronts, Trump Finds New Ways To Undermine Farmers' Interests](#), *MSNBC*, February 17, 2025
- [China outraged after Trump State Department Deletes Key Phrase On Taiwan Relations](#), *Fox News*, February 17, 2025
- [Trump Closed a Loophole For Low-Cost Imports – Until All Hell Broke Loose](#), *Reuters*, February 14, 2025
- [Winners And Losers In Trump's Reciprocal Tariff Strategy](#), *Forbes*, February 17, 2025