

Trump Decreases Tariffs on Chinese Goods, Increases Tariffs on Canadian Goods, and Announces a Flurry of Trade Arrangements

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In recent days, President Trump announced that he will trim import tariffs on Chinese-origin goods by 10%; that he intends to increase tariffs on Canadian-origin goods by 10%; and that he has reached a series of trade agreements and understandings with Cambodia, Japan, Malaysia, South Korea, and Thailand.

Although these announcements provide a measure of added certainty to the U.S. trade landscape, many questions remain about how these changes will be implemented, and whether they will be long lasting. These announcements come as the U.S. Supreme Court held oral arguments on Wednesday about the legality of President Trump's tariffs imposed under the International Emergency Economic Powers Act ("IEEPA").

China

After a meeting between Presidents Trump and Xi on October 30, the United States and China both released information about progress in trade negotiations between the two countries. Notably, neither country released the actual text of any agreement, which has not been signed by the two sides. However, both sides have outlined the terms of an understanding between the two leaders that could foster trade and investment between the two countries.

According to the [White House fact sheet](#) and media reports, the two countries have agreed to the following.

- The United States will:
 - Reduce the China fentanyl-related tariffs from 20% to 10%. This reduction does not affect tariffs imposed on Chinese-origin imports under other legal authorities, such as the "reciprocal" tariffs, Section 301 tariffs, Section 232 tariffs, and others;
 - Suspend for one year, the implementation of the so-called 50% rule for the BIS

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Entity List, which we described, and the Section 301 port fees on Chinese built vessels; and

- Extend the current expiration dates for Section 301 tariff exclusions until November 10, 2026.
- China will:
 - Suspend its export restrictions on rare earth minerals and related measures that affected U.S. supply chains for electric vehicles, electronics, and other high-tech products;
 - Increase purchases of U.S. soybeans and certain other commodities; and
 - Suspend retaliatory countermeasures against U.S. companies and products.

Perhaps the most significant aspect of these announcements is that both countries indicated their intent to avoid further escalatory actions. Earlier this year, the United States and China imposed a series of retaliatory actions that resulted in aggregate U.S. IEEPA-based tariffs of 145% on many Chinese-origin goods. Conversely, China imposed high tariffs on many of its imports of U.S.-origin goods. After reducing the aggregate IEEPA-based rate to facilitate trade negotiations, in October, President Trump then threatened again to impose a 100% tariff in response to China's restrictions of rare earth exports. The meeting, therefore, notably avoids worse outcomes, and reflects an interest on both sides to keep the relationship on neutral footing over the next year.

Tariffs on goods from China, however, remain high. Many Chinese-origin goods remain subject to an aggregate 45% tariff rate, which includes a 25% tariff rate for many goods under Lists 1, 2, and 3 of the Section 301 tariff action from the first Trump term. In addition, Chinese-origin goods are subject to a 10% reciprocal tariff rate, plus a remaining 10% rate under the fentanyl-related executive order. Some goods are not subject to these higher rates because they are on Lists 4A or 4B under Section 301, or because they are on Annex II to the reciprocal tariff executive order, while other goods may be subject to even higher tariff rates because of President Biden's modification to the Section 301 tariff action in late 2024, or other tariff actions.

Canada

President Trump said on October 25 that he would increase the tariff on goods from Canada by 10%. He also announced a halt to trade negotiations with Canada in the wake of controversy over a television commercial that criticized U.S. tariffs. Despite these announcements, details remain scant. No implementing action has yet been released to increase the tariff on goods from Canada. It is not clear to what goods the increase would apply.

Currently, goods of Canadian-origin may enter the United States subject to low or zero tariffs if those goods qualify for preferential treatment under the U.S.-Mexico-Canada Agreement ("USMCA"). If the goods do not qualify under the USMCA for preferential treatment, then Canadian-origin goods are subject to a 35% tariff rate or 10% for imported energy related goods and potash under a fentanyl-related executive order. Additionally, certain goods are subject to Section 232 tariffs, which could be higher or

lower depending on the item imported. For example, imports of Canadian-origin steel and aluminum or their derivatives are subject to a 50% Section 232 tariff.

Other Countries

President Trump also announced trade and investment commitments from Cambodia, Japan, Malaysia, South Korea, and Thailand. The announcements include trade agreements with Cambodia and Malaysia, which establish reciprocal tariff rates of 19% for Cambodian and Malaysian origin imports into the United States. Thailand reached a framework agreement with the United States, meaning that the parties intend to reach a more detailed agreement later. The agreements with Japan and South Korea relate to commitments for investments and purchases between the United States and those countries.

Unlike previous trade agreements, these announcements leave out key points such as products-specific rules of origin. It is also unclear if and how the Trump administration intends to tackle any allegedly transshipped goods that improperly use lower tariff rates, on which the Trump administration had threatened to impose a 40% tariff. In addition, given President Trump's willingness to change tariff rates on individual countries for a variety of reasons, it is difficult to say whether the reciprocal tariff rates will remain the rates imposed on imports from those countries. Likewise, many but not all of the agreements create special arrangements for lower or capped Section 232 tariff rates. The agreements released in late October do not state how those agreements will interact with existing and forthcoming Section 232 tariffs.

Supreme Court Review of IEEPA Tariffs

The U.S. Supreme Court also is considering whether President Trump exceeded his IEEPA authority in imposing the reciprocal and fentanyl-related tariffs. As we described, lower courts had found that President Trump's IEEPA tariffs are unlawful. Members of the trade community are awaiting the Court's ruling in the case, which could lead to significant tariff refunds if the tariff actions are struck down.