

Impact of the recent US Tariff Decisions on Middle East Businesses: What to do now?

April 2025



In brief

President Trump issued an Executive Order on April 2, 2025, imposing a 10% customs duty on goods imported into the US from all countries, with higher duties up to 50% on imports from specific countries.

These tariffs take effect on April 5, 2025, for all countries and on April 9, 2025, for the specific countries with significant trade deficits with the US, as enumerated in Annex I of the Executive Order. Middle Eastern countries like the UAE and KSA will face a 10% tariff, while others like Jordan and Iraq will face higher rates. Middle East businesses should evaluate the impact of the new tariffs, assess customs and trade options, monitor trade policy changes, implement compliance systems, and review legal obligations with suppliers.

In detail

On April 2, 2025, President Trump issued an Executive Order imposing a 10% customs duty on goods imported into the US from all countries, with duties up to 50% on imports from specific countries. The tariffs take effect on April 5, 2025, for all countries and April 9, 2025, for those specific countries with significant trade deficits with the US, disregarding existing Free Trade Agreements (FTAs), except for the United States–Mexico–Canada Agreement (USMCA). USMCA-compliant goods will continue to enjoy a 0% tariff rate, while non-compliant goods will face a 25% tariff.

This move, invoking a "national emergency" to protect American workers, leverages the International Emergency Economic Powers Act of 1977 ("IEEPA"), which gives the US President broad discretionary powers to address national economic emergencies. These tariffs will remain in force until the US President determines that the threat to US national security is addressed.

What is the impact on Middle East Countries?

Middle East countries, including the UAE, and KSA will be subject to additional tariff rate of 10%. They are not among those with which the US has a significant trade deficit. However, other Middle East and North Africa countries are more severely affected, e.g., Jordan (20%), Algeria (30%), Iraq (39%), Syria (41%), Libya (31%) and Tunisia (28%).

The full list of countries that will face the announced reciprocal tariffs can be found in [Annex I](#) of the [Executive Order](#).

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I have declared a national emergency arising from conditions reflected in large and persistent annual U.S. goods trade deficits, which have grown by over 40 percent in the past 5 years alone, reaching \$1.2 trillion in 2024.

President Trump

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US Tariffs Imposition

For example, China will face an additional 34% tariff, while the EU will face a 20% tariff. Certain goods, such as copper, pharmaceuticals, semiconductors, and lumber, are exempt from these high reciprocal tariffs.

It is important to bear in mind that, the US President is authorised, under the Executive Order, to increase these tariffs further in response to retaliatory measures taken by other countries.

What is the 25% Tariff on Automobile Imports?

In addition to the reciprocal tariffs outlined above, on March 26, 2025, President Trump signed a Proclamation imposing a 25% customs duty on passenger vehicles, light trucks, and major automobile parts imported from all third countries, with a narrow exception for USMCA-compliant goods, which will also impact Middle East businesses engaged in this industry.

What are the Additional Measures?

President Trump issued another Executive Order on April 2, 2025, eliminating the duty-free *de minimis* treatment for low-value shipments (valued at US\$800 or less) imported from China.

How are these measures related to the National Security Protection?

These measures, qualified by the US Administration as a "national emergency" to address threats to US national security and American workers and to guard against "unfair trade practices" in US trade relations, are part of a broader protectionist movement adopted by the US Administration. These decisions come after considering the final results of investigations conducted under the "America First Trade Policy Presidential Memorandum" and the "Reciprocal Trade and Tariffs Presidential Memorandum," which we referred to in our previous analysis: [Navigating the US Trade and Tariff Agenda: Strategic Recommendations for GCC Businesses](#).

What is Compliance with International Obligations and Trade Stability?

It remains somewhat unclear whether these new measures comply with US tariff bindings (which are US commitments setting the maximum tariff rates that the US can impose on imports) and its international obligations, such as those under FTAs. Such international obligations provide predictability and stability in international trade. With these measures and the expected retaliatory measures that could be adopted by other countries, the stability and predictability of international trade could be undermined.

The US Administration's declaration of national economic emergency suggests that it could invoke Security Exceptions under Article 21 of the General Agreement on Tariffs and Trade of 1994 (GATT), part of the World Trade Organization (WTO) Agreements. If such measures are disputed before WTO Dispute Settlement Mechanism, Article 21 allows states to take necessary actions for the protection of essential security interests during emergencies in international relations.

The Takeaway

As global trade dynamics continue to shift, it is critical for Middle East businesses to immediately assess the impact of these decisions on their supply chains:

- **Evaluate the Impact:** Analyse how tariff increases impact your business models and sales. This may require adjusting manufacturing processes or diversifying sourcing options. Evaluate various scenarios and variables.
- **Assess Customs and Trade Levers:** Consider alternative valuation methods in line with your transfer pricing policies. Review tariff classifications, focusing on exclusions and exemptions. Verify if the duty drawback regime remains applicable. Utilise Free Trade Zones to enhance cash flow.
- **Monitor Evolving Trade Changes:** Keep a close watch on the upcoming US trade policy developments to assess their impact on your business.
- **Implement Trade Compliance Systems:** Establish rigorous trade compliance and inventory management systems to stay compliant with regulations.
- **Review Legal Obligations:** Assess legal obligations with overseas suppliers to determine if increased tariffs can be absorbed or shifted within the supply chain.
- **Utilise Digital Solutions:** Enhance supply chain transparency, streamline operations, and manage international duties and taxes more efficiently.

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Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

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Thank you