Trump unveils plan for imposing reciprocal tariffs on trade partners

April 3, 2025

In brief

What happened?

President Trump on April 2, using the International Emergency Economic Powers Act (IEEPA), signed an executive order implementing "reciprocal tariffs," which aim to adjust US import duties to mirror the tariffs that other countries impose on American goods. The executive order is a result of the America First Trade Policy announced by President Trump on his first day in office, which launched an investigation into unfair trade practices and concluded on April 1. As part of this investigation, the Trump administration on February 13 announced the Fair and Reciprocal Plan, which was designed to evaluate and impose reciprocal tariffs on countries that enforce higher duties/tariffs on US goods, including through a value-added tax or other non-tariff barriers.

As of April 3, a 25% tariff has been implemented on all foreign-manufactured automobiles. Additionally, tariffs on certain automotive parts are set to be enforced no later than May 3. Notably, for automobiles and automotive parts that comply with the United States–Mexico–Canada Agreement (USMCA) requirements, only the value of the non-US content will be subject to the 25% tariff.

Starting April 5, a new base tariff of 10% will apply to all imported goods, with adjusted country-specific tariffs to be implemented on April 9. For example, the adjusted tariff on imports of products from China will be 34% (on top of other tariffs previously assessed), Vietnam will be 46%, India will be 26%, and the European Union (EU) will be 20%. Annex I of the executive order provides a full list of the jurisdictions where country-specific rates will increase. Certain goods, set forth in Annex II of the executive order will not be subject to the reciprocal tariffs, including:

- All articles subject to 50 USC 1702(b), examples include books and other informational materials;
- Steel and aluminum that are currently subject to Section 232 tariffs;
- Automobiles and automotive parts currently subject to Section 232 tariffs,
- Copper, pharmaceuticals, semiconductors, lumber articles, certain critical minerals, and energy and energy products;

- All articles from a trade partner subject to rates set forth in Column 2 of the Harmonized Tariff Schedule of the United States; and
- All articles that may become subject to future Section 232 tariffs.

While these goods are currently exempt from the reciprocal tariffs, they may be subject to other tariffs that have been imposed (e.g., steel and aluminum products subject to Section 232 tariffs) and/or potentially subject to future sector specific tariffs that have been announced but not yet implemented (e.g., sector specific tariffs on pharmaceuticals, copper and lumber).

For Canada and Mexico, the existing fentanyl/immigration IEEPA orders remain in effect. This means that USMCA-compliant goods will continue to not be subject to tariffs, while non-USMCA compliant goods will continue to be subject to a 25% tariff, which has been in effect since March 4. In the event that the existing fentanyl/immigration IEEPA orders are terminated, USMCA compliant goods would continue to receive preferential treatment, while non-USMCA compliant goods would be subject to a 12% reciprocal tariff, with the exception of energy or energy resources.

Forthcoming implementing instructions from US Customs and Border Protection will clarify the operational details of the executive order and provide essential guidance on how the new tariff measures will be applied to imported goods.

Why is it relevant?

The reciprocal tariffs aim to protect American industries, promote domestic job growth, and ensure that trading partners engage on equal terms. The Trump administration has stated that these goals reflect a strategic push to rebalance trade relations in favor of American economic interests while reinforcing the principles of fairness and mutual benefit in international commerce. The outcomes of the America First Trade Policy and the Fair and Reciprocal Trade Plan carry significant implications for companies operating in or with the United States. These developments underscore a continued shift toward stricter enforcement of trade terms and greater scrutiny of foreign market access, tariffs, and sourcing practices.

PwC will publish a more detailed analysis of President Trump's April 2 executive order in the coming days.

Action to consider

For businesses, this may mean potential changes in supply chain dynamics, cost structures, and export opportunities. Companies that rely on international inputs or serve global markets must now evaluate how new trade measures — such as the reciprocal tariffs introduced on April 2 — may impact their operations, compliance requirements, and strategic planning. Staying informed and adaptive in response to these policy shifts will be critical for mitigating risk and identifying new competitive advantages in a reshaped trade landscape.

See also

Policy on Demand: Tariff tremors: Navigating Trump's trade shake-up

Let’s talk

For a deeper discussion of how these new tariffs might affect your business, please contact:

Customs and International Trade - US

Chris Desmond
christopher.desmond@pwc.com

Kristin Bohl
kristin.m.bohl@pwc.com

Anthony Tennariello
Anthony.tennariello@pwc.com

Mark Truchan
mark.truchan@pwc.com

Everson Ascencio
everson.ascencio@pwc.com

Sharon Martin
sharon.martin@pwc.com

Maytee Pereira
maytee.pereira@pwc.com

Craig Pinkerton
craig.j.pinkerton@pwc.com

Global Trade

Scott McCandless
scott.mccandless@pwc.com

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