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Legislative Update

New Trump Administration Tariffs Fundamentally Change Global Trading System, Raise Commercial and Compliance Risks

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Summary

On April 2, 2025, the Trump administration announced the rollout of its “[Reciprocal Tariff Policy](#),” which on April 5 will effect a blanket 10% ad valorem duty on all articles imported into the U.S. from approximately 185 countries and territories — virtually all U.S. trading partners. The Trump administration further revealed [a list of 57 countries](#) that will be subject to adjusted ad valorem duties exceeding the 10% base rate, up to approximately 50%, effective April 9.

This development marks a fundamental shift in the global trading system that has prevailed since at least the end of the Cold War and likely since the end of the Second World War.

It also has practical effects on virtually all companies exporting to the United States. Absent new trade agreements between the U.S. government and the governments of the jurisdictions subject to these new tariffs that would eliminate them completely, major multinationals will face tariffs on goods shipped to the U.S. for the first time, or in significantly increased amounts. Aside from the obvious commercial consequences of being subject to these duties, corporates shipping to the U.S. will also face a new — and potentially acute — compliance risk: the potential for tariff evasion and the already-professed intent of the U.S. government to increase enforcement against companies responsible for such practices.

This alert describes the actions the administration has taken this week with respect to the new tariffs, the new commercial and compliance risks this fundamental shift in the U.S. business environment presents, and what practical steps companies may take to mitigate those risks.

The Trump Administration’s ‘Reciprocal’ Tariffs and Key Exemptions

Since January 2025, the Trump administration has launched a slew of emergency tariffs targeting the U.S.’s largest trading partners and has expanded national security tariffs on key imported goods. These include orders imposing tariffs on [China](#), [Canada](#) and [Mexico](#); expanding tariffs on [steel](#), [aluminum](#) and derivative products; and authorizing tariffs on [foreign countries importing Venezuelan oil](#). While some of these actions have been rooted in the new administration’s domestic and foreign policy priorities (e.g., designating certain Venezuelan gangs as Foreign Terrorist Organizations to support their members’ deportation from the U.S. pursuant to the Alien Enemies Act, and subsequent “secondary tariffs” on

goods entering into the United States from all countries that continue to purchase Venezuelan oil), the Trump administration's [April 2 Executive Order](#) (April 2 EO or the Order) is the most wide-reaching to date and apparently seeks to address the administration's longstanding policy goal of reducing or eliminating bilateral U.S. trade deficits in goods.

Dubbed the "Reciprocal Tariff Policy," the administration has invoked the International Emergency Economic Powers Act (IEEPA) — the legal authority customarily used to impose economic sanctions — to establish tariffs on imports from all U.S. trading partners. The Order imposes:

- A base 10% ad valorem duty will be added to all imports into the U.S. from any foreign country, effective April 5, 2025.
- For 57 countries, higher adjusted ad valorem duties will be applied as specified in [Annex I of the Order](#), effective April 9, 2025.
- The tariffs imposed under the April 2 EO will not apply in addition to those imposed on articles imported from Canada and Mexico under Executive Orders 14193 (as amended) and 14194 (as amended), respectively. However, should these executive orders be terminated, non-USMCA compliant articles from Mexico and Canada will be subject to a 12% ad valorem duty under the April 2 EO. USMCA-compliant articles will continue to receive preferential treatment, as specified under that agreement (i.e., a 0% tariff rate). Non-USMCA-compliant energy and potash imports from Canada are scheduled to carry a 10% tariff rate.
- If the value of an article is at least 20% U.S.-origin under the applicable rules of origin, the tariffs under the Order will apply only to the "non-U.S. content" of that article, subject to the U.S. Customs and Border Protection's authorization to assess and verify the U.S. content of any imported article.
- Articles that will *not* be subject to the April 2 EO tariffs include (1) articles subject to 50 U.S.C. § 1702(b) (i.e., humanitarian goods, such as food, clothing and medicine, along with personal items and other transfers without value); (2) steel and aluminum articles and automobiles and automotive parts already subject to Section 232 tariffs, as well as all articles that may become subject to future Section 232 tariffs; and (3) products listed in [Annex II of the Order](#), including copper, pharmaceuticals, semiconductors, energy and certain critical minerals.
- The president has broad discretionary authority to increase, decrease or otherwise modify the scope of the tariffs imposed under the April 2 EO.

Also of note is the fact that, for goods potentially subject to the USMCA as it currently stands, the applicable rules of origin for preferential treatment under that agreement are scheduled to change on July 1, 2025, adding a level of complexity for certain products where the changes may be material.

Another particularly noteworthy exception is the revocation of the so-called *de minimis* exception for imports from China and Hong Kong, [effective May 2, 2025](#). This exception historically has been generally applicable to merchandise imported into the U.S. costing less than \$800. While the *de minimis* exception has been preserved by the April 2 EO for all goods subject to the baseline 10% "reciprocal" tariff rate, the exception may be revoked if the secretary of commerce notifies to the president that U.S. government has adequate systems in place to handle the collection of duties on low-value goods.

Implications for Corporations

The application of 10–50% tariffs on essentially all major U.S. trading partners will have profound economic and foreign policy implications for all major businesses should the tariffs stay in place.

Practically speaking, however, the tariffs also have immediate commercial and compliance implications for businesses importing into the United States. Effective immediately, companies need to acquire a detailed understanding of the rules of origin across their supply chains to ensure that components and goods entering the United States are properly designated, both to take advantage of lower rates — for example, where a product is more than 20% U.S.-origin content, it may carry a lower duty rate than the country from where the item originated — and to avoid mis-declaring goods and potentially being subject to fines and penalties, along with unpaid duties.

Indeed, given the scope and breadth of the duties implemented, should they stay in place, international trade compliance may become a key area of focus for corporate compliance departments. A relatively little-covered development of the past few years has been the U.S. Department of Justice's (DOJ) increased enforcement of the False Claims Act (FCA) as a means of penalizing cases of customs and tariff evasion, as well as the Trump administration's publicly declared intent to significantly increase enforcement against such evasion. In late February, the deputy assistant attorney general of the Civil Division (the DOJ unit responsible for FCA matters) highlighted the potential for customs and tariff laws to become a "powerful" tool for FCA enforcement.¹ The secretary of commerce has also [repeatedly emphasized](#) the Trump administration's policy of prioritizing tariff enforcement as "fundamental for national security."

As a result, with the significant complexity and very rapidly changing regulatory landscape, companies will be well-served to review their rules of origin designations and supply chains to safeguard against potential FCA actions and liability. The FCA is a statute that, broadly speaking, imposes liability on individuals and companies that defraud the government. Notably, a party which violates customs or tariff laws can be liable under the FCA without having had actual knowledge of the violation — deliberate ignorance or reckless discard for the truth alone is sufficient to establish "intent" to violate the FCA. FCA penalties consist of civil fines currently ranging from \$14,308 to \$28,619 per claim; damages equal to three times the government's actual damages; and, in cases of criminal liability related to false claims, fines as high as \$500,000 for businesses and up to five years imprisonment.

According to [DOJ data](#), the department opened a record 1,402 new FCA cases in FY24, 184 more than in FY23 and 439 more than in FY22. While these records do not indicate the number new trade-related FCA cases as opposed to those alleging other forms of fraud, recent statements by DOJ and DOC officials suggest that the Trump administration's tariffs are likely to be a priority going forward, especially where large disparities in tariff treatment of goods from different jurisdictions provides ample incentive for potential evaders.

Conclusion

The April 2 EO may turn out to be the catalyst for a fundamental change in the world economy, with profound commercial and other implications for companies doing business in the United States and abroad. It also has immediate, and very practical, implications for companies that many will not be prepared to manage: new compliance challenges around rules of origin of goods and inputs, and the prospect of significantly ramped-up enforcement by the U.S. government against companies engaged in tariff evasion or avoidance.

In the face of fundamental change and publicly declared enforcement intent by the new administration, companies will be well-served to consider how they address these risks, as well as any need for remediation going forward.

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If you have any questions concerning these developing issues, please do not hesitate to contact any of the following Paul Hastings lawyers:

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¹ Remarks of Deputy Assistant Attorney General Michael Granston at the Federal Bar Association's Annual Qui Tam Conference (February 20-21, 2025).

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