

# U.S. Tariffs on Non-USMCA-Compliant Products Take Effect; Increased Tariff Rate on China Imposed

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## TAKEAWAYS

- ⑒ Companies experienced a boomerang last week as President Trump briefly imposed a 25% tariff on all Mexican and Canadian imports under IEEPA, before changing course and pausing tariffs on all USMCA-origin goods until April 2.
- ⑒ In addition to the 10% carveout for Canadian energy products, the administration introduced new exceptions to the IEEPA tariffs for potash from Canada and Mexico, indicating that the administration may continue to be responsive to concerns raised by key industries, including agriculture and automobiles.
- ⑒ Tariffs on Chinese imports increased to 20%, triggering significant retaliatory measures on U.S. exports, new sanctions on American companies, and a WTO dispute.

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Between March 4, 2025, and March 6, 2025, U.S. trade policy in North America changed course multiple times as the Trump administration initially implemented previously paused tariffs on imports from Canada and Mexico, and two days later, suspended tariffs on all Canadian and Mexican imports that meet the rules of origin for preferential tariff treatment of the United States-Mexico-Canada Agreement (USMCA). The Trump administration also increased across-the-board tariffs on imports from China to 20%, which remain in place. These measures, introduced through a novel use of the International Emergency Economic Powers Act (IEEPA), come after an initial 30-day delay in imposing tariffs on the North American trading partners on February 3, 2025.

## Complicated Rules for Imports from Canada and Mexico

On March 4, 2025, at 12:01 a.m. EST, a 25% tariff was applied to all imports from Canada and Mexico, with a reduced 10% duty on Canadian “energy and energy resources.” On March 5, 2025, in response to concerns raised by U.S. automakers, the Trump administration stated it would pause application of the 25% tariff for imports relating to that industry. The following day, after discussions with his Mexican and Canadian counterparts, President Trump published executive orders pausing IEEPA tariffs with respect to all USMCA-compliant Canadian and Mexican imports until April 2, 2025. The orders also reduce the tariff for potash that is the product of Canada or Mexico but does not meet the USMCA rules of origin to 10% in response to concern from agricultural producers. All of the foregoing was implemented through regulatory actions that took effect on March 7.

In summary, tariffs are paused on imports that meet the rules of origin of the USMCA, while the 25% tariff applies to products deemed to be made in Canada and Mexico but that do not meet the requirements of the USMCA rules of origin for preferential tariff treatment. Meanwhile, a 10% duty rate applies to energy products of Canada, and potash from Canada and Mexico, that are products of those countries but do not meet the requirements of the USMCA rules of origin. No refunds will be issued for imports made during March 4 to March 6.

Additionally:

- **Goods in transit:** There is no exemption for goods already in transit before the original March 4 effective date.
- **Drawback restrictions:** No drawback (refund of duties) is available for the additional tariffs.
- ***De minimis* exception:** Per the March 2, 2025, amendments to the Canada and Mexico EOs, duty-free *de minimis* treatment (for shipments under \$800) remains available for now.

Products wholly grown and/or with content only from Canada, Mexico, or the United States generally should qualify as USMCA-compliant. For goods produced in Canada or Mexico with third country materials or components, importers must assess compliance with the provisions of General Note 11 of the Harmonized Tariff Schedule, including the applicable tariff shift and regional value content rules.

## Retaliation from Canada and Mexico

In reaction to the initial additional U.S. tariffs, Canada announced 25% tariffs on \$155 billion of U.S. goods (listed by HTS code), starting with tariffs on \$30 billion in goods which went into effect on March 4, 2025. A list of those products can be found [here](#). The Canadian government stated that it would suspend a second round of tariffs on \$125 billion in goods. Certain Canadian provinces are implementing their own retaliatory measures in parallel to the actions taken by the Canadian federal government. On March 5, 2025, Canada filed a formal complaint with the World Trade Organization (WTO) challenging the U.S. tariff measures applied to Canadian goods.

Mexico initially signaled its intention to respond with its own retaliatory tariffs by March 9, 2025, prior to the pause taking effect.

### **China Tariff Increase Targets Synthetic Opioid Supply Chain**

The Trump administration has also increased existing tariffs on all goods entered for consumption from China (including Hong Kong) from 10% to 20%, effective March 4, 2025. This follows the President's determination that China has not taken sufficient action to curb trade in illicit synthetic opioids.

### **China's Retaliation: WTO Complaint, New Tariffs and Sanctions**

Since the first tariffs imposed by the new Trump administration on February 4, 2025, Beijing has reacted strongly to the escalation, announcing a series of countermeasures. This includes:

- Retaliatory tariffs on U.S. imports, including imported poultry, fresh produce and wheat, effective March 10, 2025;
- Sanctions against multiple U.S. companies; and
- A formal complaint filed with the WTO, challenging the legality of the unilateral U.S. tariff hikes.

### **Looking Ahead**

At this time, the Trump administration has not announced any exclusion process for the IEEPA tariffs beyond the specific auto and potash modifications in the executive orders. Importantly, importers will have to pay these additional duties in addition to those levied under other trade authorities, including section 232 and antidumping and countervailing duty (AD/CVD) orders. The Trump administration has announced plans to impose a 25% tariff on all steel and aluminum imports, effective March 12, 2025, and directed the Department of Commerce to initiate investigations under section 232 for copper and lumber products and derivative articles. The White House has also suggested that it will pursue sectoral tariffs on semiconductors, automobiles, pharmaceuticals and agricultural products, set to take effect as soon as April 2, 2025. Further, the Trump administration's "Fair and Reciprocal Plan" announced on February 13, 2025, directs key trade and economic U.S. government agencies (USTR and the Departments of Commerce and Treasury) to take actions against trading partners that impose tariffs, taxes, non-tariff barriers (NTBs) or other restrictions on U.S. goods and services. USTR has requested comments to assist with its recommendations of actions to remedy unfair trade practices and non-reciprocal trade arrangements, which are due on March 11, 2025.

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