

# CLIENT ALERTS

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## Trump Administration Announces Trade Deal with Japan; Other Trade and Tariff Updates

### Client Alert

7.24.2025

The Trump administration announced on July 22 that, after four months of negotiations, it has reached a trade agreement with Japan, the fourth-largest global economy. According to the Fact Sheet issued by the White House, imports from Japan to the US will be subject to a baseline 15% tariff rate, including on autos and auto parts, in exchange for \$550 billion of investments and loans in the US by Japan. The Japan agreement appears similar in format and outcome to negotiations that have been underway in the United Kingdom, the European Union, Vietnam, and India, among others.

The 15% tariff announced is a reduction from both the International Emergency Economic Powers Act (IEEPA) rate of 25% announced for Japan on April 2, 2025 ("Liberation Day") and the Section 232 Auto/ Auto Parts Tariff announced by President Trump on March 26 of this year. As with the UK trade agreement (and others) previously announced, the White House has not yet provided details of the elements included in the framework agreements. Therefore, it is not clear whether Japan (or the UK) has been exempted from the Section 232 auto tariffs in favor of the IEEPA tariff. Two Federal Courts have ruled that President Trump does not have the requisite authority under the IEEPA to impose those tariffs; those cases are currently on appeal and the IEEPA tariffs remain in effect for now.

### Tariffs Update:

**Increases Proposed for August 1; Deals with the UK, Vietnam, Indonesia, the Philippines, and Japan; Section 232 Duties on Copper and Investigations on Polysilicon and Drones; and Section 301 Investigation on Brazil**

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The Trump Administration continues to make rapid changes to tariffs and trade policy. Recent developments include:

- Postponement of the country-specific reciprocal tariff increases and announcements of additional increases on Canada and Mexico imports effective August 1.
- Trade agreements with the UK, Vietnam, Indonesia, the Philippines, and Japan.
- A 50 percent Section 232 tariff on copper imports effective August 1.
- New Section 232 investigations that may result in increased tariffs on polysilicon and drones; and
- A new Section 301 investigation on Brazil, and an opportunity for interested parties to submit written comments.

These actions are reviewed below.

### **Reciprocal Tariffs Postponed to August 1**

On July 7, 2025, President Trump issued Executive Order 14316, formally delaying the implementation of country-specific reciprocal tariff increases under Annex I to Executive Order 14257 (issued April 2) from July 9 to August 1, 2025. During this extension period, the 10 percent baseline reciprocal tariff rate under Executive Order 14257 remains in effect.

The Administration also began issuing individualized tariff letters to dozens of US trading partners. These letters outlined revised reciprocal tariff rates for each country, reflecting a mix of increases, reductions, or no change, as detailed in the table below.

One of the most significant changes involved Brazil, which had not appeared on the original Annex I list. Brazil's baseline 10 percent tariff will be raised to 50 percent, marking the highest rate announced to date.

### **IEEPA Tariff Increases on Canada and Mexico**

President Trump has also recently intensified tariff actions under the International Emergency Economic Powers Act, targeting Canada and Mexico with sharp increases aimed at pressuring foreign governments on issues such as drug enforcement, immigration, and trade imbalances.

**Canada:** In a July 10 letter, President Trump announced that the United States will impose a 35 percent tariff on Canadian goods, citing Canada's failure to adequately stop fentanyl trafficking, its high tariffs on U.S. dairy exports, and a sustained trade imbalance.

**Mexico:** In a July 11 letter, President Trump acknowledged Mexico's role in reducing migration and drug trafficking but stated that efforts to date were insufficient. As a result, a 30 percent IEEPA tariff on Mexican imports is set to take effect on August 1. The letter describes the measure as necessary to prevent North America from becoming a "Narco-Trafficking Playground," and to increase pressure for

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more robust enforcement.

The administration may proceed with imposing these IEEPA tariffs if negotiations do not advance in the coming weeks.

It appears that these proposed tariffs would continue to exempt goods that are compliant with the US-Mexico Canada Agreement (USMCA), as the current IEEPA tariffs on Canada and Mexico have done.

### **Trade Agreements: UK, Vietnam, Indonesia, the Philippines, and Japan**

The US has recently announced preliminary trade agreements with five countries — the United Kingdom, Vietnam, Indonesia, the Philippines, and Japan — aimed at easing tariff tensions and expanding market access ahead of the reciprocal tariff increase deadline.

**United Kingdom:** The US-UK Economic Prosperity Deal provides targeted tariff relief across key sectors. The United Kingdom has eliminated its 20 percent tariff on US beef and expanded duty-free quotas for both US beef and ethanol. On the US side, tariffs on certain automobiles, civil aircraft, and related parts from the UK will be reduced effective June 30.

Specifically, the US is implementing an annual quota allowing up to 100,000 UK passenger vehicles to enter the United States at a reduced 10 percent tariff rate, significantly lowering the previous effective rate of 27.5 percent (the 25 percent Section 232 tariff plus a normal duty rate of 2.5 percent). Parts of passenger vehicles and light trucks that are produced in the UK and intended for use in automobiles produced in the UK will also be subject to a 10 percent tariff.

The United States will also eliminate additional tariffs, previously as high as 10 percent, on a wide range of UK civil aircraft and their engines, ground flight simulators, and related parts and components. These provisions are intended to strengthen bilateral supply chains and enhance the global competitiveness of major aerospace firms in both countries.

Steel and aluminum articles and derivative articles from the UK are subject to 25 percent tariffs, although the US may increase the tariffs to 50 percent if it determines that the UK has not complied with relevant aspects of the Economic Prosperity Deal. The deal also provides that the US Department of Commerce (Commerce) will design and establish a tariff rate quota that would eliminate those tariffs for quantities falling within the quota level, but no details have been provided yet. These provisions appear to be intended to limit Chinese involvement in the production of steel and aluminum in the UK.

**Vietnam:** On July 10, President Trump announced a preliminary trade deal with Vietnam. Under the agreement, most Vietnamese goods will face a 20 percent tariff, while transshipped goods, especially from China, will be subject to a 40 percent rate. In exchange, Vietnam will open its market to more US products, strengthen enforcement against transshipment, and finalize purchases of US agricultural goods and Boeing aircraft.

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**Indonesia:** Indonesia reached a bilateral agreement with the US under which its tariff rate will be 19 percent. As with the Vietnam deal, transshipped goods will be subject to a 40 percent tariff. The agreement will adopt a broad definition of transshipment, subjecting goods with a certain percentage of inputs from non-market economies to the 40 percent tariff rate for transshipped goods.

In exchange, the United States secured tariff-free access to virtually all of the Indonesian market and obtained binding commitments for substantial purchases of US goods. These included \$15 billion in energy products, \$4.5 billion in agricultural exports, and an order of 50 Boeing aircraft.

**Philippines:** Following a White House meeting between President Trump and Philippine President Ferdinand Marcos Jr. on July 22, the two countries reached a trade agreement. The US will impose a 19 percent tariff on Philippine imports. Marcos agreed to impose no tariffs on US goods.

**Japan:** Also on July 22, the United States and Japan finalized a major trade agreement under which the United States will impose a 15 percent tariff on Japanese goods. Japan has committed to making up to \$550 billion in investments across key American industries, such as pharmaceuticals and semiconductors. The agreement also provides new access to Japan's market for US auto parts and agricultural goods, expanding opportunities for American farmers and manufacturers.

So far, only the UK deal has been formalized through an official Executive Order and Federal Register notices. An Executive Order or other official government action is necessary to implement the changes in the other trade agreements and the proposed 8/1/25 Rate changes in the table above. In the absence of any such action, the Annex I tariff increases will go into effect on August 1.

### **Section 232 Tariffs on Copper Effective August 1**

On July 9, President Trump formally announced that a 50 percent tariff on copper imports will also take effect on August 1, following a national security assessment conducted by Commerce under Section 232 of the Trade Expansion Act of 1962. The President emphasized that copper is vital to national defense and advanced technology manufacturing, citing its role in semiconductors, aircraft, naval vessels, ammunition, data centers, lithium-ion batteries, radar systems, missile defense platforms, and hypersonic weapons. He further noted that copper is the second most-used material by the US Department of Defense.

### **New Section 232 Investigations on Polysilicon and Drones**

In addition, Commerce is rapidly expanding its Section 232 agenda. On July 1, Commerce initiated new investigations into imports of polysilicon and unmanned aircraft systems (UAS, or drones) to assess whether they pose a threat to US national security. These investigations were officially published in the Federal Register on July 16. The polysilicon investigation focuses on risks related to foreign supply chains, overreliance on imports, and unfair trade practices affecting critical inputs for semiconductors and solar technology. The UAS investigation highlights concerns over foreign control, concentrated supply sources, and the potential for adversaries to weaponize drone technologies or

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disrupt US access to critical systems. Both investigations are being conducted by Commerce's Bureau of Industry and Security (BIS), which is accepting public comments and related data. These new investigations may result in new tariffs on polysilicon and UAS.

Interested parties can submit comments on these investigations to BIS by August 6.

### **New Section 301 Investigation on Brazil**

On July 15, the US Trade Representative (USTR), following the specific direction of the President, initiated an investigation under Section 301 of the Trade Act of 1974 into Brazil's acts, policies, and practices related to digital trade and electronic payment services; unfair, preferential tariffs; anti-corruption enforcement; intellectual property protection; ethanol market access; and illegal deforestation. This investigation may result in additional tariffs on Brazilian imports beyond the recently announced increase to 50 percent.

Interested parties can submit written comments and requests to appear at the hearing and summary testimony by August 18. USTR will hold a public hearing on September 3, 2025. Any post-hearing rebuttal comments are due seven days after the conclusion of the hearing.

The Butzel International Trade, Tariffs and Customs Specialty Team helps businesses navigate these fast-moving tariff developments and related issues. We will continue to provide updates as quickly and thoroughly as possible. Also, please visit our Tariff and Trade Resource Center for the most up-to-date news on tariffs, trade, and business implications. We encourage you to reach out to the authors of this Client Alert or your Butzel attorney for further information.

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