

What Will Happen with Tariffs in 2025?

By: Rick Walker, Vice President, TradeInsights, LCB/CCS

This seems to be the foremost question on importers' minds right now as we close out 2024. As the Trump administration takes shape, we are all wondering what will happen in 2025 and how any changes might affect us. Understanding what could happen in 2025 will be integral to supply chain planning and cost analysis.

There are actually three questions within one. The first one is “What are the anticipated tariff increases?” The second one is “Does the President have the legal authority to impose new tariffs?” The third one is “What is the timeline for implementation?” We’ll address all of these questions here.

Regarding the possible increases, it’s anyone’s guess right now as to what will happen in the end, so for now we must rely on what President-elect Trump has stated. He has stated he wants to do the following:

- Increase Chinese tariffs to 60%
- Increase tariffs on all countries by 10—20%
- Initiate 100% tariffs on all countries that leave the U.S. dollar
- Place 25-75% tariffs on Mexico
- Add 100% tariffs on automobiles made in Mexico
- Remove China’s Permanent Normal Tariff Rate (PNTR)

Does a U.S. President have such authority?

The short answer is YES. Once he takes office, President-elect Trump has several pathways for implementing tariffs. The U.S. Constitution gives Congress the authority to impose tariffs in Article 1, Section 8, which states that “The Congress shall have power to lay and collect taxes, duties... To regulate Commerce with foreign nations.” But Congress can also selectively delegate tariff-setting authority to the president, which it has done for decades. There are several ways for President-elect Trump to accomplish what he wants to do.

One of the more likely options is through the Trade Act of 1974 Section 301 which most of us are quite familiar with by now. Section 301 of the Trade Act of 1974, under which the president may impose retaliatory tariffs when “an act, policy, or practice of a foreign country ... violates, or is inconsistent with, the provisions of, or otherwise denies benefits to the United States under any trade agreement, or ... is unjustifiable and burdens or restricts United States commerce.” Section 301 action requires an investigation, but an

investigation was completed in 2018, so the use of Section 301 could be applied more quickly. Use of Section 301 tariffs would require no action from Congress because they are already in place.

Then there is The Trade Expansion Act of 1962 Section 232(b) which we have seen applied to the imports of steel and aluminum recently. There are other, more seldom used methods as well. Some administrative and some legislative through Congress, such as The Tariff Act of 1930 Section 338, The Trade Act of 1974 Sections 122 and 201, and The International Emergency Economic Powers Act of 1977. Section 338 allows the U.S. President to impose additional tariffs of up to 50% on imports from countries that discriminate against U.S. products and completely block imports from such countries if the discrimination increases. Additionally, Section 122 allows the President to impose additional tariffs on imports to address significant balance-of-payments issues. So, as you can see, a U.S. President does have various ways and the authority to make tariff changes.

Now, for perhaps the most important question – what’s the timeline for these actions?

The Section 301 investigation for China was completed in 2018, so any further action would be viewed as an amendment to the existing action and would therefore be accelerated, so new tariffs could potentially be in place by spring 2025.

Section 232 duties require investigation, so for any items outside of the current steel and aluminum 232 duties, an investigation would be required. The investigation period is 270 days and if affirmative, the President could act within 90 days.

Section 201 duties also require investigation. You can expect 120-150 days to investigate, and the President must act within 180 days of receipt of recommendation.

Section 338 only requires the President to consult with and notify Congress. There are no time limits to do this.

Section 111 is a Presidential determination, and he must consult with and notify Congress.

We do not know exactly what will happen in 2025, but we are watching closely and will keep you informed as news develops.

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