



David Glynn

Of Counsel
303.295.8071
Denver
djglynn@hollandhart.com



Christine Garson

Associate
303.293.5977
Denver
cmgarson@hollandhart.com

Trump Administration Imposes Tariffs on China; Temporarily Postpones Tariffs on Canada and Mexico

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On February 1, 2025, President Trump issued three Executive Orders imposing additional tariffs on goods from Canada, Mexico, and China. On February 3, President Trump temporarily reversed course and paused the implementation of the additional tariffs on goods from Canada and Mexico. The pause is in effect until March 4, 2025. On February 5, 2025, the Department of Homeland Security (DHS) published the China Federal Register notice; notices for Canada and Mexico are forthcoming pending the result of ongoing negotiations.

Imports from China face an additional 10% *ad valorem* tariff, while Canadian and Mexican imports may ultimately face an additional 25% tariff.

Authority

President Trump issued the tariff increases pursuant to the International Emergency Economic Powers Act (IEEPA) after declaring a national emergency under the National Emergencies Act (NEA). The national emergency cited is the “flow of contraband drugs like fentanyl to the United States, through illicit distribution networks,” according to a White House fact sheet. This is the first time a president has utilized IEEPA to impose tariffs in response to a national emergency.

Retaliation

In response to the new tariffs, China announced retaliatory countermeasures, including a 15% tariff on coal and liquefied natural gas products, as well as a 10% tariff on crude oil, agricultural machinery and large-engine cars imported from the U.S. These measures will take effect Monday, February 10.

Canada's Department of Finance published a list of products to be subject to a retaliatory 25% tariff, although these countermeasures are currently postponed.

The tariff situation is dynamic, and additional tariff increases by the U.S., its targets, as well as other countries are possible in the coming weeks. President Trump has threatened tariffs against numerous other countries, including the European Union, Brazil, Russia, India, and others.

Below is a brief summary of the recent tariff actions by country.

China Tariffs

1. Tariff Rate: 10% *ad valorem* on all goods (in addition to any other duties, fees, exactions, or charges applicable to such imported articles).
 - a. Exemptions: There are limited exemptions to the application of the tariff. Such items include those related to humanitarian relief and items carried for personal use such as baggage.
2. Effective Date: The duties apply to goods entered for consumption, or withdrawn from warehouse for consumption, on or after 12:01 a.m. eastern time on February 4, 2025. Goods already in transit prior to 12:01 a.m. on February 1, 2025 are generally exempt.
3. De Minimis Entry Process Suspended: Of note, shipments valued below \$800 (previously exempt from duties) are subject to the 10% tariff.
4. Drawback: Duty drawback is not available. Drawback programs traditionally allow companies to recoup tariffs paid on products that are ultimately re-exported from the U.S.
5. Mail Shipments: Formal entry for all mail shipments is required. No mail shipments from China will be cleared or released by CBP unless and until formal entry is filed.

Canada and Mexico

1. Tariff Rate: 25% *ad valorem* on all goods.
 - a. For Canada, “energy or energy resources,” would instead be subject to a 10% duty rate. As defined in President Trump's January 20, 2025 Executive Order declaring a national emergency, “[t]he term 'energy' or 'energy resources' means crude oil, natural gas, lease condensates, natural gas liquids, refined petroleum products, uranium, coal, biofuels, geothermal heat, the kinetic movement of flowing water, and critical minerals, as defined by 30 U.S.C. 1606 (a)(3).”
2. Effective Date: Paused until March 4, 2025.

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