

TRADE NEWS WEEKLY

May 12-May 16, 2025

A summary of international business news prepared by the Hawaii Foreign-Trade Zone 9 with the collaboration of the Research and Economic Analysis Division of the Department of Business, Economic Development & Tourism, and based on research and information from various trade publications, which track news and events related to global trade. Other news sources may occasionally be included where indicated.

China IEEPA Reciprocal Tariff Rate Reduction to 10%

The United States and China have issued a Joint Statement agreeing to temporarily reduce certain additional tariff rates between the two countries by May 14, 2025. The United States has committed to reducing the 125% reciprocal tariff rate imposed on products of China (including Hong Kong and Macau) to the “baseline” 10% reciprocal tariff rate which it currently applies to all other countries. The reductions are scheduled to take effect by May 14 for 90 days to allow for additional trade discussions.

U.S. Actions

The White House Fact Sheet confirms that while the reciprocal tariff rate on China is being reduced to 10%, other applicable duty rates (i.e., China Section 301 and Section 232 duties, China IEEPA fentanyl tariffs (currently 20%), and Most Favored Nation (Normal Trade Relations) tariff rates are not affected. As a result, China products will still carry a total effective tariff rate of at least 30%, based on the 10% reciprocal tariffs and 20% IEEPA China fentanyl tariffs.

China Actions

For its part, China will temporarily reduce from 125% to 10% the duties on U.S. products imposed by the Announcements of the Customs Tariff Commission of the State Council Nos. 4, 5 and 6 of 2025. China also agreed “to suspend or remove the non-tariff countermeasures” taken against the United States since April 2, 2025.

Once these steps have been taken, both parties agree to establish a mechanism to continue discussions.

More specific guidance will be issued on or before May 14, 2025. In the meantime, for incoming shipments of China, Hong Kong, or Macau products, clients are urged to consider delaying the filing of CBPF 3461 Cargo Release entries until the reduced China 10% reciprocal tariff rate takes effect. Similarly, foreign-trade zone (“FTZ”) clients should consider a pause in receiving incoming China products into their FTZ inventory control and recordkeeping system (ICRS) and delaying FTZ admissions and concurrences for China products until after the effective date of the reduced 10% China reciprocal tariff rate.

It is important to remember that the United States and China have only committed to these duty reductions and trade actions for 90 days. It is possible that the existing duty rates will snap back at the end of the 90-day period unless a longer-term agreement is reached.

Source: Miller & Company P.C.

Transportation Rates Likely to Surge During Tariff Pause

U.S. and Chinese officials have reached an agreement to roll back most recent tariffs and implement a 90-day truce in their trade war to facilitate further negotiations. Announced in Geneva, this deal marks a significant step back



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from a conflict that has disrupted the global economy. The temporary suspension of hostilities is expected to have immediate effects on global shipping and transportation markets.

Current Freight Rate Forecast

Freight rates are projected to rise sharply in the coming weeks as importers rush to capitalize on this window of opportunity. The increases are expected to begin with ocean freight rates in the near term, followed by domestic trucking rates in July and August. This surge stems from importers addressing existing backlogs and expediting new orders before potential policy changes at the end of the 90-day period.

This pattern echoes transportation capacity challenges observed in late 2021 and early 2022, as carriers seek to maximize pricing power during an anticipated surge in shipments.

Implications of the Tariff Suspension

This abrupt shift in trade policy is likely to create significant logistical challenges. Companies may struggle to secure containers in China and access truck or intermodal chassis capacity in the United States. Transportation capacity and infrastructure could be strained by the surge in shipping volume.

Larger, more consistent importers are likely to benefit most, as they typically receive preferential treatment from carriers when capacity tightens. Smaller shippers may face disadvantages, as transportation providers prioritize high-value customers and sideline inconsistent or lower-paying shippers.

Details of the 90-Day Truce

Under the agreement, the United States will reduce its tariff rate on Chinese goods from 145% to 30%, while China will lower its rate on U.S. goods from 125% to 10%. This represents a 115-percentage point reduction for the U.S. and a 105-percentage point reduction for China as part of the temporary truce.

U.S. Treasury Secretary Scott Bessent emphasized that neither country seeks economic decoupling. “The consensus from both delegations this weekend is that neither side wants a decoupling,” Bessent said. “What had occurred with these very high tariffs was effectively an embargo. Neither side wants that. We want trade.”

China’s Commerce Ministry described the agreement as “an important step toward resolving the two countries’ differences” and “laying the foundation for further cooperation.” The ministry noted that the initiative “aligns with the expectations of producers and consumers in both countries and serves the interests of both nations as well as the global community.”

Impact on the Global Economy

Financial markets reacted positively to the news, with stock futures rising sharply. S&P 500 futures climbed 2.6%, and Dow Jones Industrial Average futures also increased. Oil prices surged by more than \$1.60 per barrel, and the U.S. dollar strengthened against the euro and Japanese yen.

The de-escalation of tensions between the world’s two largest economies has provided immediate relief to global markets, which had been bracing for the effects of what would have amounted to mutual trade embargoes. The potential disruption would have been significant, with combined trade exceeding \$660 billion last year.

Source: FreightWaves

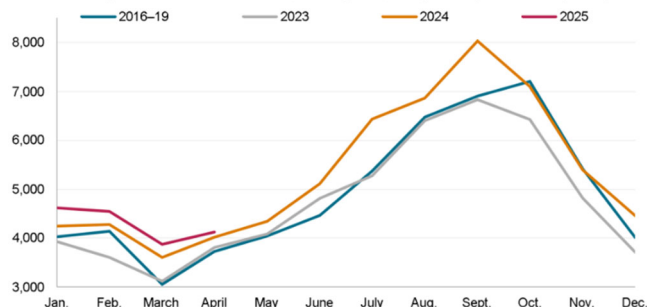
Significant Increase in April Seaborne Imports

In April, total U.S. seaborne imports increased by 10.3% year-over-year, consistent with March's growth, but slowed to 9.1% in the latter half of April as tariffs got underway. The capital goods sector saw minimal growth, increasing only 2.9% in April, while the information technology sector faced a decline of 4.8% in late April amid tariff uncertainties. Consumer

discretionary goods, despite rapid growth of 17.5% in April as a whole, showed signs of a seasonal shift, with imports of highly seasonal consumer electronics and leisure goods only 6.4% higher than in March, deviating from historical patterns.

April sequential recovery slower than in prior years

US seaborne imports of consumer electronics, leisure goods, twenty-foot equivalent units per day



Data compiled May 6, 2025.

Source: S&P Global Market Intelligence.

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Source: *Panjiva Data*

Section 232 Tariffs Possible on Imports of Aircraft and Engines

The Bureau of Industry and Security (BIS) is accepting input no later than June 3, 2025, on a new Section 232 investigation on commercial aircraft and jet engines and parts thereof. This investigation could result in the imposition of additional tariffs on imports of these products.

Interested parties are invited to submit written comments, data, analyses, or other information pertinent to these investigations. Among other things, BIS is interested in (1) current and projected demand for covered goods, (2) the extent to which domestic production can meet that demand, (3) the role of foreign supply chains, particularly major exporters, in meeting that demand, (4) the concentration of U.S. imports from a small number of suppliers and the associated risks, (5) the impact of foreign government subsidies and predatory trade practices on U.S. industry competitiveness, (6) the economic impact of artificially suppressed prices due to foreign unfair trade practices and state-sponsored overcapacity, (7) the potential for export restrictions by foreign nations, (8) the feasibility of increasing domestic capacity to

reduce import reliance, and (9) the impact of current trade policies on domestic production and whether additional measures, including tariffs or quotas, are necessary to protect national security.

Source: *Sandler, Travis & Rosenberg, P.A.*

Importers, Brokers Could Benefit from New EO on Government Payments

On March 25, 2025, President Trump issued an executive order [EO] that could benefit importers, customs brokers, sureties, and others by mandating a transition to the electronic transfer of payments to and from the federal government, including duties, fees, refunds, and other trade-related payments.

The EO states that the continued use of paper-based payments by the federal government, including checks and money orders, imposes unnecessary costs, delays, and risks of fraud, lost payments, theft, and inefficiencies. It therefore mandates (with limited exceptions) a transition to electronic payments for all federal disbursements and receipts by digitizing payments to the extent permissible under applicable law.

- Effective Sept. 30, 2025, the Treasury Department will cease issuing paper checks for all federal disbursements, including intragovernmental payments, benefits payments, vendor payments, and tax refunds.
- All executive departments and agencies will transition to electronic funds transfer methods, including direct deposit, prepaid card accounts, and other digital payment options, and take all steps necessary to enroll recipients in EFT payments.
- As soon as practicable, all payments made to the federal government will be processed electronically.

- Treasury will support agencies' transition to digital payment methods, including by providing access through its centralized payment systems to direct deposits, debit and credit card payments, digital wallets and real-time payment systems, and other modern electronic payment options.

Federal agencies must submit a plan for complying with these requirements within 90 days and Treasury will have to submit a progress report within 180 days.

Source: Sandler, Travis & Rosenberg, P.A.

White House Promotes Funding for Export Enforcement

The White House sent to the Senate Appropriations Committee May 2, 2025, recommendations on discretionary funding levels for fiscal year 2026, including the following increases and decreases from FY 2025 with respect to trade-related agencies and initiatives.

+\$550 million for the Port Infrastructure Development Program

+\$134 million for trade enforcement efforts to “address unfair and balanced trade through increased antidumping and countervailing duty investigations” and “build the analytical tools necessary to address supply chain and sourcing risks” and revive the U.S. industrial and manufacturing base

+\$122 million for the Bureau of Industry and Security to protect U.S. technological competitiveness and counter threats from China

+\$145 million for the International Trade Administration’s global markets efforts and a refocusing of “ITA’s footprint” on issues like “countering China’s malign and predatory market influence in developing nations; securing access to critical energy and mineral resources; building affordable, resilient, and sustainable supply chains; and facilitating and

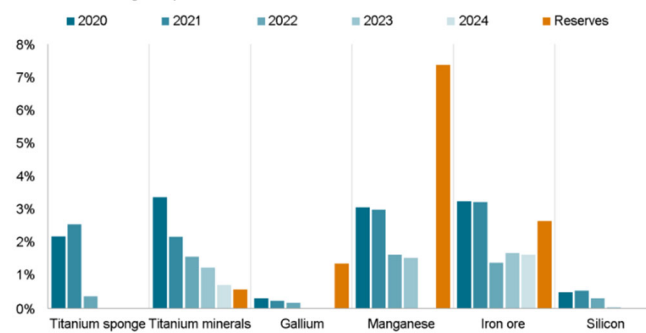
accelerating investments that create American jobs.”

Source: Sandler, Travis & Rosenberg, P.A.

U.S.-Ukraine Ink Deal

The U.S. and Ukraine signed on April 30, 2025, an agreement to establish the “United States-Ukraine Reconstruction Investment Fund” to “accelerate Ukraine’s recovery,” focusing on new developments in critical materials and oil and gas, without debt obligations or access to existing materials. The deal reflects U.S. interests in securing critical minerals to reduce reliance on mainland China amid recent export controls by mainland China and a U.S. national security review of critical materials. Ukraine’s titanium production, crucial for aerospace, fell to 0.7% in 2024 from 3.4% in 2020 due to the Russia-Ukraine conflict, while gallium output has ceased since 2023 despite having 1.4% of world reserves.

Ukraine a minor player in global materials in wake of conflict
Ukraine's share of global production and reserves of selected materials



Data compiled May 1, 2025.
Source: S&P Global Market Intelligence calculations from US Geological Survey data.
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Source: Panjiva Data



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