TRADE NEWS WEEKLY

June 2 - June 6, 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.

Section 232 Steel and Aluminum Tariff Rate Increase to 50% and "Tariff Stacking" Changes

President Trump issued a Proclamation that increases the Section 232 tariff rate from 25% to 50% on steel and aluminum articles (except for U.K.-origin steel and aluminum). Additionally, the Proclamation modifies the "tariff stacking" rules and alters the treatment of steel or aluminum and non-steel or non-aluminum content under the Section 232 steel and aluminum tariffs and the Reciprocal Tariffs.

The tariff increase went into effect at 12:01 am EDT on June 4, 2025. There is no goods-on-the-water "in transit" exception to the tariff increase.

The only exception to the tariff increase is for steel and aluminum articles of the United Kingdom. The Proclamation states that the Section 232 tariff rates on U.K.-origin steel and aluminum articles remain at 25% at least until July 9, 2025, due to the U.S.-U.K. Economic Prosperity Deal (EPD), dated May 8, 2025.

For Foreign-Trade Zones (FTZs), the Proclamation states that steel and aluminum articles already admitted in Privileged Foreign (PF) zone status before 12:01 am EDT on June 4, 2025, will be subject to the Section 232 tariff rate in effect at the time of entry (i.e., subject to the new 50% tariff rate or whatever rate is in place on the entry date), while steel and aluminum articles admitted on or after June 4, 2025, must be admitted in PF zone status.

The Proclamation amends language from the "tariff stacking" Executive Order (EO) 14289. The Proclamation essentially reverses the order of the (a) Section 232 steel and aluminum tariffs and (b) Mexico and Canada IEEPA tariffs, providing priority to Section 232 steel and aluminum tariffs, by exempting articles subject to tariffs under the Section 232 steel and aluminum tariffs from the Mexico and Canada IEEPA tariffs. This change was applied beginning June 4, 2025, and is not retroactive.

The Proclamation also includes two new rules on non-steel/aluminum and steel/aluminum content of Section 232 steel and aluminum. First, it provides that "the non-aluminum, non-steel content of all aluminum and steel articles and derivative articles" shall be subject to Reciprocal Tariffs. This is a departure from prior treatment where payment of Section 232 tariffs on just the steel or aluminum content for "new" derivative steel or aluminum tariffs classified outside HTS Chapter 73 or 76 exempted the imported merchandise from payment of Reciprocal Tariffs. Second, the Proclamation provides that Section 232 tariffs "shall apply only to the steel content of articles in Chapter 73 of the HTSUS and only to the aluminum content of articles in Chapter 76 of the HTSUS." It is unclear from the language in the Proclamation whether this applies to all steel and aluminum articles and to derivative articles, but the below-linked CSMS messages state that the Section 232 tariffs apply to (only) the value of the steel and aluminum content of both groups. The annexes to the Proclamation are not yet available. They may provide additional clarity.

No duty drawback is available for these Section 232 tariffs.

From a compliance and enforcement perspective, the Proclamation requires CBP to issue "authoritative guidance mandating strict compliance" with steel and aluminum content declarations warning of "maximum penalties for noncompliance," including but not limited to "significant monetary penalties, loss of import privileges, and criminal liability, consistent with United States law."

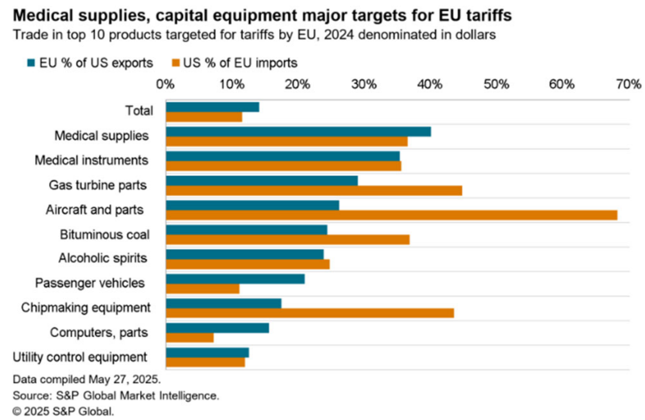
Shortly after the Proclamation was issued, U.S. Customs issued CSMS # 65236574, CSMS # 65236645, and CSMS # 65236374 providing further detail, including applicable HTSUS provisions.
Source: Miller & Company P.C.

EU And Japan Trade Talks With U.S.

While all the latest court actions cast doubt over the ongoing process of negotiations with the U.S.' partners, two developments indicate they were progressing far from smoothly already.

Discussions with the EU have been overshadowed by threats by U.S. President Donald Trump to raise tariffs, which were rapidly suspended. The U.S. accounts for 17.9% of EU exports of products not covered by Section 232 reviews. Meanwhile, the EU has outlined a list of 4,936 targets for retaliatory tariffs that cover 14.1% of U.S. exports to the EU including medical supplies (40.0%), bituminous coal (24.9%), passenger vehicles (20.9%), and computers and parts (15.9%). The EU will likely hold back on tariffs until the U.S. applies its own duties.

Talks between the U.S. and Japan face challenges due to Japan's reluctance to make major concessions before its July Upper House elections. Japan is expected to resist U.S. demands for increased agricultural imports to avoid electoral backlash, while seeking full exemptions from U.S. auto tariffs, which are crucial given autos account for nearly 30% of Japan's exports to the U.S. A partial agreement with less sensitive sectors may be possible.



Source: Panjiva Data

Nationwide Interest in Foreign-Trade Zones Increases

Companies are employing varied strategies to mitigate U.S. import tariff costs, including bonded warehouses that allow goods to be stored duty-free for up to five years, although they cannot undergo additional manufacturing.

Interest in bonded warehouses and foreign trade zones (FTZs) has surged, with searches up by 932.7% and 1,864.7%, respectively, in April year-over-year. These facilities offer companies flexibility in duty payments, allowing them to defer duties until goods are sold, thus aiding cash flow management.

Bonded warehouses can be established rapidly and anywhere, but FTZ operations are more complex, involving zones, subzones and sites and requiring cooperation with local grantees including municipalities and development corporations. FTZs facilitate inland importation and can be created near manufacturing centers, although this may increase reexport costs.

FTZ users must obtain FTZ board approval for activities causing substantial transformation or changes in Harmonized Tariff Schedule (HTS) code classification at the six-digit level, providing insight into U.S. FTZ production. In the first quarter of 2025, production approval requests decreased by 73.1% year-over-year, and component requests fell by 48.7%.

Since 1999, the pharmaceutical category, particularly "other medicaments," led with 72 approved applications, while electrical control devices had 25 product approvals but appeared 120 times in component approvals. In the automotive sector, car body parts were the most approved with 22 products, followed by miscellaneous vehicle parts with 20 approvals.

Since the start of 2024, automotive and industrial companies have been the primary users of FTZs, reflecting their complex supply chain operations. KMP USA LLC leads in product approvals, followed by Voestalpine AG and Merck & Co Inc.

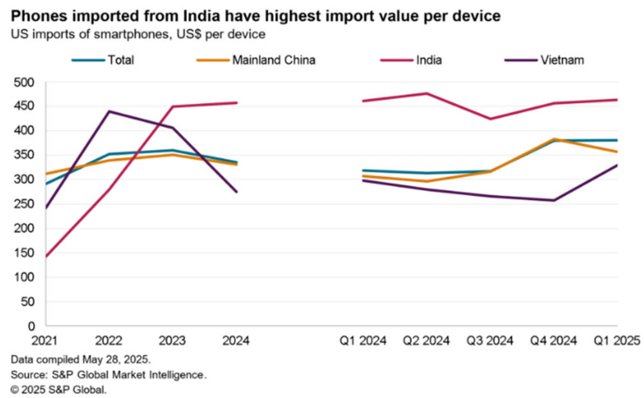
Source: Panjiva Data

Tariff Risks for Smartphones, Accelerating Decision-making

The U.S. administration has indicated that smartphones sold in the U.S. should be manufactured domestically rather than in India, threatening a 25% tariff on non-compliant imports.

This move aligns with a broader Section 232 review of the electronics sector, which may lead to imminent tariffs as the comment period ended on May 7, 2025.

A 25% tariff could increase costs by U.S. $95 per device based on the average import price in the first quarter of 2025, potentially necessitating a 12% to 15% retail price increase to cover these tariffs.



Source: Panjiva Data

Supply Chain Deals With Rapid U.S. Trade Policy

Supply chain decision-makers are having to deal with rapid U.S. tariff policy changes, raising the risk of a mistiming of inventory arrivals.

U.S. seaborne imports of consumer goods from mainland China in the May 1 to May 15, 2025, period fell by 27.9% year-over-year, although total U.S. seaborne imports rose by 1.2% over the same period, likely reflecting the higher tariff rates applied to mainland China versus others at the time.

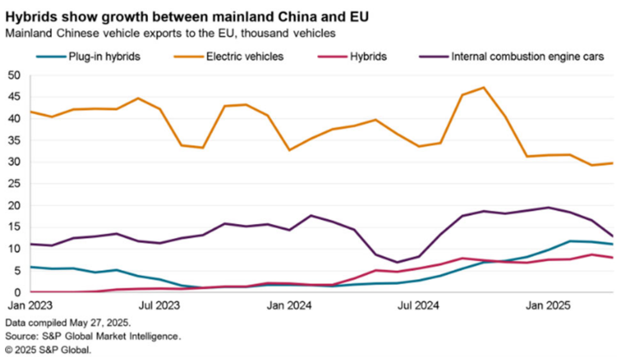
The latest PMITM for U.S. manufacturing stocks of purchased goods has increased to its highest level since April 2022 as firms plan to take advantage of the pause in higher tariff rates.

The recent reduction in tariff rates on imports from mainland China will lead to a new wave of early shipments, shown by a 58.3% rise in shipping rates on routes from North Asia to the

North American East Coast since the start of May.
Source: Panjiva Data

China's EV Automakers Facing Steep Challenges

Mainland China's automakers are facing challenges in their domestic market, leading to discounts and a renewed targeting of export markets. However, car sales have undergone a decline in Europe, with the result that exports of electric vehicles (EVs) to the EU decreased by 22.5% in terms of vehicle numbers, likely due to tariffs applied in 2024. Additionally, average import prices for electrified vehicle lines from China to the EU have fallen significantly, suggesting oversupply or tariff burden-sharing tactics.



Source: Panjiva Data

Import Alerts: Bath Soaps, Cookware, Moisturizer, Seafood, Produce

Food and Drug Administration (FDA) import alerts affecting the following have been newly issued or modified in the past week.

- amberjack from Japan, bath soaps from India, biscuit spread from Jordan, black onion powder from Yemen, ceramicware from China and Mexico, clay jars from Mexico, cookware from Japan, dragon fruit from Ecuador, fried onions in pouches from Malaysia, golden raisins from Afghanistan, halawa from Lebanon, lychee fruit jelly from Taiwan, moisturizer from Korea, mouth freshener from India, Persian limes from Mexico, porcelain dinnerware from Poland, raw shrimp from Thailand, seasoned squid from Korea, sesame from Yemen, sweet almond oil from India, tamarind soup base from the Philippines, truffle sauce from Italy, vitamin C drops from Brazil.

Import alerts inform FDA field staff that the agency has enough evidence or other information to allow a product that appears to be in violation of FDA laws and regulations to be detained without physical examination at the time of entry. Import alerts may cover products from designated countries or areas (including from all foreign countries), manufacturers, or shippers.

Firms and/or products on the "red list" of an import alert are subject to Detention Without Prior Examination (DWPE), while firms and/or products on the "green list" are not because they have met the criteria for exclusion. Some import alerts include a "yellow list" of firms, products, and/or countries subject to intensified surveillance because the nature of the violations may warrant further field examinations of individual entries and/or additional analyses. In addition, depending on the specific import alert, shipments of products subject to DWPE may still be imported into the U.S. if the importer has demonstrated that the shipment is in compliance.

If a product is detained without physical examination the importer has the right to provide evidence to the FDA in an attempt to overcome the appearance of the violation. If no such evidence is submitted, or if the evidence provided is insufficient, the product will be subject to refusal of entry into the U.S."
Source: Sandler, Travis & Rosenberg, P.A.