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Overview of the Trump Administration's Memorandum on Reciprocal Trade and Tariffs

Peter Tabor, Molly B. O'Casey, Micah J. Burbanks-Ivey, Robert A. Friedman, Andrew K. McAllister, and Antonia I. Tzinova*

In this article, the authors review a memorandum on reciprocal trade and tariffs issued by President Trump.

President Donald Trump has issued a memorandum on reciprocal trade and tariffs (Memorandum), outlining the U.S. policy to reduce the persistent annual trade deficit and address inequitable and unbalanced trade practices with foreign partners. While the Memorandum does not explicitly define "non-reciprocal" trade agreements, its alignment with the America First Trade Policy Memorandum suggests a broad interpretation—likely encompassing any trade arrangement that results in the United States importing more than it exports.

Significantly, the Memorandum does not implement or propose the implementation of tariffs, but requires the federal government to review existing arrangements for trade imbalances and determine the equivalent of a reciprocal tariff for each trading partner. This strongly aligns with the American First Trade Policy Memorandum, which directs agencies to review virtually all aspects of the U.S. trade policy by April 2025.

Fair and Reciprocal Plan

To enact this policy, President Trump will introduce the Fair and Reciprocal Plan. Under the plan, Trump will "counter non-reciprocal trading arrangements with trading partners by determining the equivalent of a reciprocal tariff with respect to each foreign trading partner." To calculate the reciprocal tariffs, the plan seeks

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to assess the impact of these measures on the U.S. economy (i.e., U.S. products, businesses, workers, consumers, etc.).

The review outlined in the plan has a broad scope, which includes the examination of tariffs and taxes, including value-added tax (VAT); nontariff barriers or measures and unfair or harmful acts, policies or practices, including subsidies and burdensome regulatory requirements; exchange rates; and any practice that "imposes any unfair limitation on market access or any structural impediment to fair competition."

Additionally, the plan will consider "losses as a result of measures that disadvantage the United States as applied, regardless of what they are called or whether they are written or unwritten."

Taking Action

The Memorandum on reciprocal trade and tariffs specifies that action will be taken after the submission of the agency reports required under the America First Trade Policy Memorandum.

Once these reports are submitted, the Secretary of Commerce and the U.S. Trade Representative (USTR), in consultation with other relevant agencies, will initiate "all necessary actions" to investigate harm to the United States from any non-reciprocal trade arrangements adopted by any trading partners.

Once these "necessary actions" are complete, the U.S. Department on Commerce and USTR will submit a report detailing "proposed remedies in pursuit of reciprocal trade relations with each trading partner."

Additionally, within 180 days of the date of the Memorandum, that is, August 12, 2025, the director of the Office of Management and Budget must assess all fiscal impacts on the federal government and impacts of any information collection requests on the public. This assessment will be delivered in writing to the president.

Analysis

The fact sheet accompanying the Memorandum identifies specific countries and industries that the administration views as failing to provide the United States with reciprocal treatment. These explicit references may signal potential targets for future reciprocal tariff measures. Below is a summary of the key areas highlighted:

- *Brazil—Ethanol*. The Memorandum points to trade imbalances driven by non-reciprocal tariffs in Brazil, citing U.S. tariffs on ethanol at 2.5 percent while Brazil imposes 18 percent.
- *India—Agriculture and Motorcycles*. The Memorandum cites tariff disparities disadvantaging U.S. exports to India, where the U.S. average applied most favored nation tariff on agricultural goods is 5 percent but 39 percent in India. The Memorandum also points to India's 100 percent tariff on U.S. motorcycles compared to the U.S.' 2.4 percent tariff on Indian motorcycles.
- *European Union—Shellfish*. The Memorandum highlights market access restrictions in the European Union, where American shellfish imports are banned from 48 U.S. states, despite a 2020 commitment to open the market, resulting in $274 million in U.S. imports.
- *European Union—Autos*. The Memorandum points to tariff asymmetries in the European Union, where imported cars face a 10 percent tariff, while the United States imposes only 2.5 percent, creating an imbalance in auto trade.
- *Canada and France—Digital Services Tax*. The Memorandum highlights unfair digital taxation in Canada and France, where American firms are taxed more than $500 million annually in each country, costing U.S. businesses more than $2 billion per year.
- *Global—Higher Tariffs on U.S. Exports*. The Memorandum cites widespread tariff disadvantages for U.S. exporters, noting an unspecified 2019 study that found U.S. goods face higher tariffs more than two-thirds of the time across 132 countries and 600,000 product lines.

Why This Matters

President Trump's consistent push—a mere 30 days into his new administration—to impose or threaten tariffs is impacting current operations for many U.S. businesses. This latest Memorandum signals both that the Trump administration's initial preference for an absolute or baseline tariff on all imports has changed to a more targeted approach.

The longer timeline—the Fair and Reciprocal Plan, as outlined above and in the memo, relies in part on reports due to the president in April 2025—may provide greater opportunities for input to the Trump administration but also aligns with evolving views held by some that tariff revenue can offset government spending or tax cuts.

In Summary

- President Trump has issued a memorandum on reciprocal trade and tariffs, citing the economic and national security threat posed by the trade deficit, as outlined in the January 20, 2025, America First Trade Policy Memorandum.
- To combat the trade deficit, the Memorandum introduces the "Fair and Reciprocal Plan," which seeks to counter non-reciprocal trading arrangements by "determining the equivalent of a reciprocal tariff with respect to each foreign trading partner."
- To calculate these reciprocal tariffs, the administration will review the impact of foreign tariffs, taxes, nontariff barriers or measures, exchange rates, etc., on the U.S. economy (i.e., U.S. products, businesses, workers, consumers, etc.).
- Action will be taken following the submission of reports in April 2025, as required by the America First Trade Policy Memorandum. At that point, the Secretary of Commerce and the U.S. Trade Representative will initiate all necessary actions to investigate potential harm to the U.S. caused by non-reciprocal trade arrangements, and the investigation will culminate in a report.

Note

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