

Insights: Alerts

U.S. Introduces "Fair and Reciprocal Plan," Marking a Significant and Impactful Shift in Trade Policy

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On February 13, 2025, President Trump announced the "Fair and Reciprocal Plan" ("Plan"), a major shift in U.S. trade policy designed "to counter non-reciprocal trading arrangements with trading partners by determining [and implementing] the equivalent of a reciprocal tariff with respect to each foreign trading partner." This initiative, introduced as a [memorandum](#) rather than an executive order, establishes a framework for implementing reciprocal tariffs on a country-by-country basis. The Plan aims to address purportedly unfair trade practices that harm U.S. businesses and workers by considering not only foreign tariff rates but also broader trade-related factors, such as foreign government subsidies, value-added taxes, and discriminatory policies or regulatory systems that disadvantage American trade. While the Plan takes immediate effect, the reciprocal tariffs themselves will require further determinations and regulatory processes before implementation, with reciprocal tariffs potentially being implemented starting April 1, 2025.

The Plan has the potential to significantly impact companies that export products to foreign markets or depend on imported goods for their operations. Notably, because reciprocal tariffs are inherently reactive, they may adjust if foreign countries take measures to eliminate practices deemed unfair by the U.S. As a result, the Plan could serve as a tool for negotiation, potentially resolving trade issues without the immediate need for tariffs. However, this dynamic nature introduces uncertainty, as tariff rates are subject to change based on evolving foreign policies and practices.

Below are five key takeaways regarding the Plan and its potential implications:

1. Broad Scope of Reciprocal Tariff Determination

The Plan proposes a comprehensive approach to setting reciprocal tariffs, considering not only a country's tariff rates but also a wide range of trade practices. Specifically, the U.S. will evaluate and set tariffs based on the following:

- Tariffs imposed on United States products;
- Unfair, discriminatory, or extraterritorial taxes imposed by our trading partners on United States businesses, workers, and consumers, including a value-added tax;
- Costs to United States businesses, workers, and consumers arising from nontariff barriers or measures and unfair or harmful acts, policies, or practices, including subsidies, and burdensome regulatory requirements on United States businesses operating in other countries;

- Policies and practices that cause exchange rates to deviate from their market value, to the detriment of Americans; wage suppression; and other mercantilist policies that make United States businesses and workers less competitive; and
- Any other practice that, in the judgment of the United States Trade Representative, in consultation with the Secretary of the Treasury, the Secretary of Commerce, and the Senior Counselor to the President for Trade and Manufacturing, imposes any unfair limitation on market access or any structural impediment to fair competition with the market economy of the United States.

2. Immediate Effect of the Plan, but Delayed Implementation of Tariffs

While the Plan takes effect immediately, the implementation of reciprocal tariffs will require the completion of additional steps. Determining appropriate tariff rates for each country—and potentially for individual goods—is an extensive and complex process. To address this, and possibly to accommodate regulatory timing requirements, the Plan stipulates that “within 180 days of the date of this memorandum, the Director of the Office of Management and Budget shall assess all fiscal impacts on the Federal Government and the impacts of any information collection requests on the public, and shall deliver an assessment in writing to the President.”

During a press conference, President Trump suggested that reciprocal tariffs could be enacted as early as April 1, 2025. It remains unclear how the tariffs will be implemented or whether they may ultimately be deemed unnecessary if a country takes steps to address trade practices that the U.S. considers unfair.

3. Blanket Tariffs vs. Good-Specific Tariffs and Potential Exemptions for U.S.-Based Manufacturing

It is not yet clear whether the reciprocal tariffs will be imposed as blanket rates on all imports from a particular country or tailored to specific goods. Additionally, President Trump has indicated that products manufactured by foreign companies within the United States may be exempt from these tariffs. Here again, it remains uncertain whether such exemptions would apply broadly to all reciprocal tariffs imposed on that country or only to the specific goods produced domestically within the U.S.

4. Countries Likely to Face the Greatest Impact

Reciprocal tariffs will be established for all nations with which the U.S. maintains trade relations. That said, the administration has signaled that the Plan will focus on countries whose trade practices are considered especially unfair and harmful to U.S. trade. According to statements from the administration, the countries likely to face heightened scrutiny include India, South Korea, Brazil, Vietnam, China, Mexico, Taiwan, Canada, Japan, and several member nations of the European Union (“EU”).

5. Opportunity for Public Input

The Plan highlights the significance of public input, addressing the solicitation of potential written comments and direct feedback from Congress, the administration, and other affected stakeholders. Businesses and organizations with a vested interest in trade policy are strongly encouraged to engage in this process to help shape U.S. tariff decisions and also potentially mitigate retaliatory actions by foreign governments.

Conclusion

The “Fair and Reciprocal Plan” represents a significant shift in U.S. trade policy with potentially far-reaching consequences for businesses engaged in international trade or reliant on foreign goods. Companies should

closely monitor developments and consider engaging in the public comment process and with Congress and the administration to help shape the outcome of this policy. Companies should also evaluate the wider potential legal impacts of reciprocal tariffs, which may require renegotiating agreements, amending contractual provisions, and adhering to heightened trade compliance standards.

For more information or to discuss how this may impact your business, please contact our team.

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