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Tax Alert

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Trade Lines

Policy Intelligence for Global Business Leaders

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Welcome to Trade Lines, your view from DC on the evolving landscape of international trade and regulatory policy. Curated for business leaders and decision makers, this newsletter delivers timely insights into the issues shaping global commerce—from tariff shifts and supply chain disruptions to legislative developments and compliance trends. Our goal is to help you anticipate change, assess impact, and act with confidence in a fast-moving policy environment.

Global Signals

US-UK announce deal on pharmaceutical pricing

On December 1, the U.S. announced that it reached an agreement in principle with the United Kingdom (UK) on pharmaceutical pricing. The UK agreed to increase the net price that the National Health Service (NHS) pays for new medicines by 25 percent, and to ensure that these higher prices "are not materially eroded by a demand for portfolio-wide concessions under the Voluntary Scheme for Branded Medicines Pricing, Access and Growth (VPAG) or other rebate schemes."

In exchange, the US agreed to exempt "U.K.-origin pharmaceuticals, pharmaceutical ingredients, and medical technology from Section 232 tariffs and will refrain from targeting U.K. pharmaceutical pricing practices in any future Section 301 investigation for the duration of President Trump's term."

Recall that the Trump administration has threatened to launch Section 301 investigations into unfair pharmaceutical pricing practices by US trading partners as part of its strategy to lower the cost of medicines for Americans. To date, no Section 301 investigation has been launched.

In addition, the Commerce Department has ongoing Section 232 investigations into the impact that pharmaceutical imports and MedTech imports are having on national security. By statute, Commerce must issue a report and recommendations to the President in the pharmaceutical investigation by December 27, 2026. Commerce has until May 30, 2026, to wrap up its MedTech investigation. The President must decide whether within 90 days after receiving Commerce's report.

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US to allow sales of Nvidia H200 chips to China

In a [Truth Social post] on December 8, President Trump announced that the United States will allow Nvidia to sell its H200 chips to "approved customers" in China amidst deliberations around the scope of export restrictions on semiconductor products. In exchange for lifting the restrictions, President Trump indicated that the U.S. would receive 25 percent of the revenue from sales of the chips to customers in China. President Trump suggested that Chinese President Xi Jinping "responded positively" to the proposal.

This announcement follows a deal reached by President Trump and Nvidia CEO Jenson Huang in August to allow the sales of the company's less advanced H20 chips into China in exchange for the US receiving 15 percent of the revenue.

Policy Pulse

SCOTUS recesses for the holidays and CIT says it could order reliquidation of entries if tariffs struck down

The Supreme Court has begun its four-week holiday recess, suggesting that stakeholders will be waiting until at least January 2026 for a ruling in the challenges to tariffs imposed under the International Emergency Economic Powers Act (IEEPA). The Court is not rescheduled to resume business until January 9, 2026.

Meanwhile, in litigation filed at the Court of International Trade (CIT), several companies asked for a preliminary injunction suspending liquidation on entries for goods subject to the IEEPA tariffs ahead of the Supreme Court's ruling. On December 11, the Department of Justice (DOJ) filed a brief highlighting that "[a]s of December 10, 2025, approximately 34 million entries have been filed by over 301,000 importers that are subject to the IEEPA duties challenged in the Supreme Court." Of these, "[a]pproximately 19.2 million remain unliquidated as of December 10, 2025." Given the "unprecedented scale and scope" at issue, DOJ argued that a preliminary injunction would require a "diversion of resources" by Customs and Border Protection (CBP) that would be "crushing," and that in addition, the injunction would offer "no practical relief."

On December 15, the CIT issued a decision denying the importers' request for a preliminary injunction, rejecting the request to freeze liquidation on entries subject to the IEEPA tariffs. In its decision, the CIT said that it has "'the explicit power to order reliquidation and refunds where the government has unlawfully exacted duties.'" The CIT further said that filing an administrative protest with CBP is not required, and in fact may be "futile" because there is no protestable Customs decision, and in any case, the CIT "has authority to order reliquidation" if the Supreme Court finds that the IEEPA tariffs are unlawful.

According to CBP's trade statistics, the agency collected nearly $89 billion in IEEPA tariff revenue in FY2025.

Commerce opens auto parts inclusions window

On December 16, the Commerce Department published a Federal Register Notice opening the January 2026 inclusions window for automobile parts. The inclusions process gives stakeholders an opportunity to

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petition Commerce to add additional automobile parts to the list of products subject to a tariff under Section 232 of the Trade Expansion Act of 1962. The latest inclusions window will open on January 1, 2026, and close at 11:59pm on January 14, 2026. Accepted inclusion petitions will then be available for a two-week public comment period. Commerce then has 60 days to review the submissions and decide whether to add additional products to the tariff action.

Commerce delays decisions on steel and aluminum tariff inclusions

Public reports suggest that a decision before the Department of Commerce's Bureau of Industry and Security (BIS) to expand the list of goods subject to 50 percent duties on steel and aluminum products under Section 232 will be delayed to 2026. In September, BIS initiated a second round for domestic producers to petition for additional goods to be included in the steel and aluminum tariff regime. Determinations on these petitions were expected to be made within 60 days, a timeline based on a February proclamation from President Trump and a subsequent interim final rule. However, the current list of steel and aluminum derivate products under consideration for inclusion in the tariff regime are not expected before the end of the calendar year. The first inclusions process concluded in August and resulted in hundreds of additional products being subject to the duties.

USTR invites comments on operation of USMCA with respect to trade in automotive goods

On December 5, US Trade Representative (USTR) published a **Federal Register notice** requesting comments concerning the operation of the U.S.-Mexico-Canada Agreement (USMCA) with respect to trade in automotive goods. The USMCA Implementation Act requires the report biennially. USTR intends to submit the results of the third biennial review to Congress and post a public version of the report by July 1, 2026 – in time for the USMCA joint review.

USTR is requesting written comments regarding the overall operation of the USMCA with respect to automotive goods; actions by automotive and parts producers to demonstrate compliance with the USMCA automotive rules of origin (including regional value content requirements for passenger vehicles, light trucks, heavy trucks, other vehicles and parts thereof; the North American steel and aluminum purchaser requirements; and labor value content requirements); the use of alternative staging regimes by vehicle producers; enforcement of the automotive rules of origin; whether the current automotive rules of origin are effective and relevant in light of new technology and changes in the content, production processes, and character of automotive goods; and other topics relevant to trade in automotive goods under the USMCA.

Written comments are due to USTR by 11:59 PM ET on January 7, 2026. Previous reports on the operation of the USMCA with respect to trade in automotive goods can be found **here**.

USMCA joint review process advances

From December 3-5, 2025, USTR heard public testimony from a **broad range of industries** concerning the operation of the USMCA, including challenges, priorities, and opportunities as the US prepares for the July 1, 2026, joint review.

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The hearing, part of a mandatory public process required by the USMCA Implementation Act, was the latest step as USTR prepares for the joint review and considers whether to extend the agreement for another 16-year term. If any of the three parties decline to extend the agreement at the joint review, an annual review process kicks off until its original expiration date of July 1, 2036.

Next, USTR must prepare a report to Congress assessing the operation of the USMCA; recommendations for actions to be proposed at the review; previous efforts, if any, to address any concerns that underly USTR's recommendations; and the views of the advisory committees. USTR is required to submit this report to Congress at least 180 days prior to the joint review – on or around January 2, 2026. USTR said that this report will be delivered orally, not in writing – inviting public criticism from several Democrats on Capitol Hill. The trade ministers from Canada, Mexico, and the US are expected to meet in mid-January to discuss the review.

USTR announces Sec. 301 action following investigation into Nicaragua's labor practices

On December 10, the USTR **announced** targeted tariff actions following the conclusion of an investigation under Section 301 of the Trade Act of 1974 into Nicaragua's labor and human rights policies and practices. The US will enact a two-year, phased in tariff increase on all imported goods from Nicaragua that do not originate under the Dominican Republic-Central America FTA (CAFTA-DR). According to the USTR, "The tariff will be set at zero percent on January 1, 2026, and will increase to 10% on January 1, 2027, and to 15% on January 1, 2028." The tariffs will be additive to existing tariff rates including the 18 percent tariff rate imposed by the US on goods from Nicaragua as part of President Trump's July 31, 2025 Executive Order on 'Further Modifying the Reciprocal Tariff Rates.'

The Section 301 investigation, initiated on December 10, 2024, examined Nicaragua's acts, policies, and practices related to labor rights, human rights, and the rule of law. On October 20, 2025, the USTR determined that Nicaragua's policies under the scope of the investigation are unreasonable and burdened or restricted U.S. commerce and are thus actionable under the statute.

Commerce and CBP issue guidance implementing US-Korea trade deal

CBP issued guidance on December 3, and the Commerce Department published a Federal Register notice on December 4, implementing the tariff-related elements of the US-Korea Strategic Trade and Investment deal.

Through the **Federal Register notice** and **CBP guidance** (and CBP correction **here**), Commerce and CBP modified the additional rates of duty applicable to products of south Korea set forth in six previous presidential actions – setting a 15 percent tariff on imports from Korea. The notice also implements the US commitment to cap tariffs on automobiles and automobile parts at 15 percent, as well as timber, lumber and their derivatives. Korean-origin civil aircraft and their engines, parts, and components, except for unmanned aircraft, will not be subject to any additional tariff.

The modified tariff rates took effect on November 14. CBP's guidance instructs importers to file a post summary correction to request a refund on previously filed entries as necessary to reflect the modified duty rate. For liquidated entries, importers may file a protest within 180 days of liquidation.

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CBP issues withhold release order on garments, textiles, and apparel manufactured by Firemount Group Ltd. in Mauritius

On November 18, CBP issued a **withhold release order (WRO)** against garments, apparel, and textiles manufactured in Mauritius by Firemount Group, Ltd. CBP said it issued the WRO "based on information that reasonably indicates forced labor use." As a result, these products will be detained by CBP. Importers of detained shipments may seek to destroy or export their shipments or seek to demonstrate that the merchandise was not produced with forced labor.

For more information regarding current WROs and Findings, view CBP's WRO and Findings dashboard **here**.

Hill Highlights

Ways and Means Committee marks up legislation to extend certain trade preference programs

On December 10, the House Ways and Means Committee approved two bills to extend certain trade preference programs, including the *AGOA Extension Act* (HR 6500) and the *Haiti Economic Lift Program Extension Act* (HR 6504). As part of his **opening remarks** during the markup, Ways and Means Chairman Jason Smith commented that, "The renewal of bipartisan trade programs, AGOA and the HOPE/HELP program with Haiti, serves America's economic and national security interests. Africa alone is home to roughly one third of all the world's critical minerals. China celebrates when America takes a step back from the continent and extending these programs ensures that won't happen."

The *AGOA Extension Act* extends through 2028, the *African Growth and Opportunity Act (AGOA)*, retroactive to the program's expiration on September 30, 2025. AGOA provides duty-free access to the US market for goods from eligible sub-Saharan African countries. The program, initially enacted in 2000, aims to increase trade and investment ties and promote economic growth across the region. The Committee approved the legislation by a vote of 37-3.

The Haiti Economic Lift Program Extension Act extends through 2028 duty-free treatment for certain textile and apparel goods under the Haitian Hemispheric Opportunity through Partnership Encouragement Act (HOPE) and Haiti Economic Lift Program Act (HELP). Advocates of the legislation highlight the role of these programs in supporting nearshoring and onshoring of production to support American workers and businesses. The Committee approved the legislation by a vote of 41-0.

In addition to AGOA and Haiti HOPE/HELP extensions, the Committee advanced the Counterfeit Notification Act (HR 4930) by a vote of 40-0. The bill gives CBP authority to share certain information with relevant private sector stakeholders when a shipment contains suspected counterfeit or pirated products.

Greer testifies before Senate Appropriations Subcommittee

On December 9, USTR Jamieson Greer testified before the Senate Appropriations Subcommittee on Commerce, Justice, Science, and Related Agencies, seeking a $21 million increase in appropriations for the Office of the USTR in response to the scope of the Trump Administration's trade agenda and the relatively

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flat funding for the agency over the past five years. He also requested a $23 million funding level for the Trade Enforcement Trust Fund, an increase from the existing $15 million funding level.

During the hearing, Greer also provided comments about many facets of the Trump Administration's trade agenda, including:

- USMCA review: Greer indicated a focus on ensuring that America's trading partners are meeting their existing commitments under the agreement as part of the upcoming review process, highlighting rules of origin and dairy as key compliance issues.
- US-China relationship: Greer pointed to the stability of the US-China relationship, and highlighted President Trump's efforts to access rare earth minerals from China and China's commitment to and progress on purchasing US agricultural exports.
- IEEPA Supreme Court case: Greer expressed confidence that the Supreme Court will uphold the President's tariff authority under IEEPA.

Lawmakers introduce ADVERSARIES Act

On December 2, Rep. Max Miller (R-OH) introduced a new bill – "Addressing Dangerous Vulnerabilities in Exports and Research to Strategic Adversaries, Regimes, and Industrial Entities of Security Concern Act", or "ADVERSARIES Act" - that would codify the BIS Affiliates Rule. Representatives Jefferson Shreve (R-IN), Michael McCaul (R-TX), and James Moylan (R-Guam) all cosponsored.

According to the one-pager, the bill would "change the definition of 'foreign person' under the Export Control Reform Act to include all 1260-H list Chinese Military companies, Military End User list companies, Entity List companies, and their subsidiaries or affiliates owned 50 percent or more."

The bill text is linked **here**. The one-pager is linked **here**. The press statement is linked **here**.

CBO's updates projections of the budgetary effects of tariffs

The Congressional Budget Office (CBO) has updated its **projections** of the budgetary effects of tariffs. As of November 15, CBO estimates "that the effective tariff rate for goods imported into the United States is about 14 percentage points higher than the roughly 2.5 percent it was a year ago." CBO projects that the tariffs imposed so far this year will reduce the US deficit by $3 trillion over 11 years, assuming the current tariff rates remain in place through 2035.

Upcoming Deadlines

December 16, 2025: USTR will hold a hearing in connection with its section 301 investigation into China's implementation of the Phase One Agreement.

December 23, 2025: USTR deadline to complete its section 301 investigation into "China's Targeting of the Semiconductor Industry for Dominance".

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December 27, 2025: Commerce deadline to issue a report to the President in its section 232 investigations concerning semiconductors and semiconductor equipment, as well as pharmaceuticals.

January 2, 2026: USTR report due to Congress on operation of USMCA, recommendations for action to be proposed at the review, and the position of the U.S. with respect to whether to extend the term of the agreement.

January 7, 2026: Written comments due to USTR concerning operation of USMCA with respect to autos.

January 26, 2026: Commerce deadline to issue a report to the President in its section 232 investigation into commercial aircraft and jet engines.

If you have questions, please contact Blake Harden (blake.harden@ey.com) or Evan Giesemann (evan.giesemann@ey.com).

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