

Washington Tariff & Trade Letter

Vol. 45, No. 18

wttlonline.com

MAY 5, 2025

[US Japan Talks - No Immediate Miracles](#)

The second round of tariff negotiations between Japan and the United States concluded Thursday without significant progress, despite both sides characterizing the discussions as “constructive.” Japanese Prime Minister Shigeru Ishiba acknowledged that “common ground has not yet been found,” underscoring the early stage of negotiations. [READ MORE](#)

["The Best Negative Print"](#)

C+I+G+(X-M). For all the scientifically notated plumage economists and policy makers clutch as adornment, the arithmetic of Gross Domestic Product is cruelly simple. Consumption, Investment and Government Spending, plus Net Exports makes an economy. In the first quarter of 2025, US net exports reduced the GDP by nearly five points, the greatest drag since 1947. [READ MORE](#)

[President Trump's FY2026 Budget Proposal](#)

On May 2, 2025, the Trump administration submitted its discretionary budget proposal for fiscal year (FY) 2026, calling for a \$163 billion cut (approximately 23%) in non-defense discretionary spending compared to FY2025, while increasing defense funding by 13% to \$1.01 trillion and allocating \$175 billion to border security. A portion of this increase—\$325 billion—is expected to be enacted via reconciliation.

The Commerce budget includes \$134 million in targeted investments to "strengthen trade enforcement and aggressively protect American innovation." This includes an additional \$122 million for the Bureau of Industry and Security, a more than 50-percent increase, while cutting \$145 million from the category "International Trade Administration – Global Markets." [READ MORE](#)

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MORE TARIFFS

[Stacked Tariff Walk-Back](#)

President Donald Trump signed an Executive Order on April 29 designed to mitigate the cumulative tariff burden imposed on imports under various U.S. trade remedy authorities. A separate Presidential Proclamation issued the same day modifies the 25% Section 232 tariff on imported auto parts, allowing U.S. manufacturers to claim offsets: [READ MORE](#)

[India - US Trade Progress and Export Controls](#)

India is actively pursuing a bilateral trade agreement with the United States that includes provisions for relaxed export controls, aiming to facilitate greater access to advanced technologies. This initiative seeks to establish a framework similar to the AUKUS agreement, which allows for streamlined defense and technology collaboration among the U.S., U.K., and Australia. [READ MORE](#)

[Contractors Facing Tariff Pressures](#)

Federal contractors are facing significant cost pressures following the Trump administration's sweeping tariff increases, with baseline duties of 10% on most imports and up to 145% on goods from China now in effect. [READ MORE](#)

POLICY & POLITICS

[U.S - Ukraine Post War Reconstruction Fund](#)

The United States and Ukraine have signed a landmark agreement establishing the United States–Ukraine Reconstruction Investment Fund, a joint initiative aimed at mobilizing capital for Ukraine's post-war reconstruction, economic recovery, and strategic transformation following Russia's full-scale invasion in 2022.

Signed by U.S. Treasury Secretary Scott Bessent and Ukraine's First Deputy Prime Minister and Minister of Economy Yuliia Svyrydenko, the agreement lays the legal and operational foundation for a limited partnership between the U.S. International Development Finance Corporation (DFC) and Ukraine's State Agency for Support of Public-Private Partnership. [READ MORE](#)

[CFIUS and America First: Faulkender Speech](#)

Deputy Secretary of the Treasury Michael Faulkender emphasized the Trump Administration's commitment to balancing foreign investment with national security at the American Conference Institute's CFIUS Conference Thursday April 24, , detailing the Administration's initiatives under the newly issued "America First Investment Policy." [READ MORE](#)

BIS UPDATE

[Peters as Assistant Secretary for Export Enforcement](#)

David Peters has been nominated to be Assistant Secretary of Commerce for Export Enforcement, plugging one of the largest remaining gaps in the org chart at the Bureau of Industry and Security.

Peters, most recently a Trial Attorney in the Fraud Section, Market Integrity and Major Frauds of the Justice Department takes the reins from Matt Axelrod, now with Gibson Dunn in Washington. [READ MORE](#)

[TRANSTAC May 21, 2025 Meeting](#)

The U.S. Department of Commerce's Bureau of Industry and Security (BIS) has announced a partially closed meeting of the Transportation and Related Equipment Technical Advisory Committee (TRANSTAC) scheduled for May 21, 2025, from 9:30 a.m. to 2:00 p.m. ET, in Washington, D.C. [READ MORE](#)

SUPPLY CHAINS

[Pacific Freight Market Collapse](#)

The imposition of sweeping U.S. tariffs has precipitated a significant downturn in transpacific trade, affecting both air and sea freight sectors. The termination of the de minimis exemption for shipments under \$800 from China and Hong Kong, coupled with elevated tariffs reaching up to 145%, has led to widespread cancellations and a sharp decline in shipping volumes. [READ MORE](#)

[Deep-Sea Mining Order Sparks Global Backlash](#)

President Trump's recent executive order to expedite deep-sea mining has ignited widespread criticism from environmental groups, scientists, and international bodies. The directive aims to accelerate the permitting process for seabed mineral extraction in both U.S. and international waters, citing national security and economic interests in securing critical minerals like nickel, cobalt, and manganese. [READ MORE](#)

SANCTIONS & ENFORCEMENT

[NASA Contractor Declination for Self-Disclosure](#)

The Justice Department announced that it has declined the prosecution of Universities Space Research Association (USRA) after it self-disclosed five years ago criminal violations of U.S. export control laws committed by its former employee. Jonathan Soong pleaded guilty in January 2023 to willfully violating the Export Administration Regulations (EAR) by exporting U.S. Army-developed aviation software to a university in the People's Republic of China (PRC) that had been placed on the Commerce Department's Entity List and was sentenced to 20 months in prison. [READ MORE](#)

[Rocket Fuel to Iran Sanctions](#)

Treasury's Office of Foreign Assets Control (OFAC) has designated six entities and six individuals in Iran and the People's Republic of China (PRC) for operating a procurement network that facilitates the supply of ballistic missile propellant ingredients to Iran's Islamic Revolutionary Guard Corps (IRGC).

The network has been involved in the procurement and shipment of sodium perchlorate and dioctyl sebacate from the PRC to Iran. Sodium perchlorate is a precursor to ammonium perchlorate, a material controlled under the Missile Technology Control Regime (MTCR) and integral to the manufacture of solid propellant rocket motors. Dioctyl sebacate similarly supports the production of ballistic missile technology. [READ MORE](#)

[Treasury Alert on Mexican Oil Smugglers](#)

The Treasury Department announced sanctions targeting individuals and entities tied to oil smuggling and narcotics trafficking networks linked to the Jalisco New Generation Cartel (CJNG). The action aligns with the Administration's focus on southwest border enforcement and the financial disruption of designated Foreign Terrorist Organizations.

The Office of Foreign Assets Control (OFAC) designated three Mexican nationals and two Mexico-based companies for their roles in smuggling crude oil stolen from Petróleos Mexicanos (Pemex) into the United States. [READ MORE](#)