

U.S. Executive Order Establishes “Reciprocal” Tariff Policy: Key Takeaways for the Aviation Industry

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On April 2, 2025, President Donald J. Trump signed an [Executive Order](#) (*Regulating Imports with a Reciprocal Tariff to Rectify Trade Practices that Contribute to Large and Persistent Annual United States Goods Trade Deficits*) (the “Executive Order”), declaring a national emergency with respect to the threat from various foreign trade and economic policies and practices and imposing new tariffs on imports of all articles into the United States customs territory, subject to certain exceptions. Specifically, the Executive Order directs the imposition of a new baseline 10 percent *ad valorem* rate of duty on imports from almost all U.S. trading partners, as well as jurisdiction-specific *ad valorem* rates of duty ranging from 11 to 50 percent (when including the baseline 10 percent tariff) on 57 countries and territories.

As indicated in the Executive Order and its accompanying [fact sheet](#), the Executive Order is designed to advance the broader strategy of the Trump Administration (the “Administration”) to “rebalance global trade flows” and reduce “large and persistent” trade deficits that may have adverse impacts to the U.S. manufacturing base, critical supply chains and national security. The Executive Order follows several other tariff-related measures that were imposed by the Administration earlier this year, including with respect to imports from Canada, China and Mexico, and imports of steel, aluminum, automobiles and automobile parts.

The baseline tariff set forth in the Executive Order took effect at 12:01 a.m. eastern daylight time on April 5, 2025, whereas the jurisdiction-specific tariffs will take effect at 12:01 a.m. eastern daylight time on April 9, 2025. As described further below, [Annex I](#) to the Executive Order provides the list of countries and territories for which there are specific, “reciprocal” tariff rates, along with the rates themselves, and [Annex II](#) to the Executive Order identifies hundreds of products that are not subject to the new tariffs imposed by the Executive Order. The Executive Order includes a modification authority, whereby the Administration may implement further changes to the scope or terms of the new tariffs, such as in response to retaliatory measures by U.S. trading partners.

Aspects of the Executive Order Relevant to the Aviation Industry

U.S. tariffs are generally assessed upon importation of an article into the United States for consumption and calculated based on: (i) the classification of the article, (ii) the jurisdiction where the article was produced or substantially transformed, and (iii) the value of the article. Many aviation industry transactions and activities, such as cross-border passenger or cargo carrier services, do not implicate U.S. tariffs on aircraft or related parts and components as they do not involve imports of such aircraft or related parts and components for consumption. This position does not change as a result of the Executive Order. What is changing is that the exemptions from tariffs for transactions and activities that *would* otherwise trigger U.S. tariffs, which exemptions have applied since 1980 (based on a plurilateral trade agreement – the Agreement on Trade in Civil Aircraft – which includes the United States, Canada and most European Union member states as participants), will cease to apply to U.S. imports of relevant aviation assets.

So, while the Executive Order does not alter the broader legal framework of the U.S. tariffs system, it does upend the historically exempt status of aviation industry import transactions, adding new costs and creating associated challenges for U.S. importers, such as manufacturers and aircraft lessees or operators. Such new costs may be mitigated, however, by the Executive Order's U.S. content exception, which provides that, with respect to any article, so long as at least 20 percent of the value of such article originates in the United States (*i.e.*, constitutes "U.S. content"), the new tariffs will apply only to the non-U.S. content of such article. This exception is expected to reduce the total amount of the duty assessed in connection with imports of certain foreign-produced aircraft, such as aircraft manufactured and/or delivered by Airbus or by Embraer outside of the United States. The Executive Order also includes exceptions for certain products, including: (i) articles and derivatives of steel and aluminum and automobiles and automobile parts that are already subject to other specific, enumerated tariff measures; and (ii) semiconductors, certain critical minerals, transistors and kerosene-type jet fuel. These product-specific exceptions may partially insulate U.S. importers from tariff-related costs in respect of imports of a limited categories of items used for manufacturing, repairing or operating aircraft in the United States.

On a jurisdiction-by-jurisdiction basis, taking some of the key countries in the aviation industrial base, the Executive Order prescribes "reciprocal" tariffs of 34 percent, 20 percent, 24 percent and 25 percent for imports from China, the European Union, Japan and South Korea, respectively, but does not direct higher tariffs for articles from Brazil or the United Kingdom, which are instead subject to the baseline 10 percent tariff. With respect to Canada and Mexico, the Executive Order exempts articles that qualify as originating under the United States-Mexico-Canada Agreement ("USMCA") or that are already subject to tariffs under the Administration's other recent executive actions (which generally impose *ad valorem* tariffs ranging from 10 to 25 percent), noting that, if those other executive actions are terminated or suspended, any such articles not qualifying as originating under USMCA will be subject to a 12 percent *ad valorem* tariff (with the exception of energy or energy resources, potash, or any items eligible for duty-free treatment under USMCA that are parts or components of an article substantially finished in the United States).

Key Takeaways for the Aviation Industry

The Executive Order is expected to have direct impacts on the aviation industry through the imposition of new and elevated rates of duty on imports of aircraft and related parts and components into the United States. This burden is likely to fall principally on U.S. manufacturers (*e.g.*, Boeing), in connection with sourcing of foreign-made parts and components for aircraft production in the United States, and on U.S. airlines, in connection with the importation of foreign-made aircraft (*e.g.*, Airbus or Embraer aircraft) for consumption in the United States.

Aircraft lessors (and financiers) will generally be insulated from such direct impacts based on how aircraft leasing, financing and repair transactions are customarily structured in the industry. Airlines typically take delivery of aircraft and related parts and components as the importers of record and typically assume, as a contractual matter, the responsibility for resulting taxes and duties. Aircraft-related lease, debt service and other usage payments are not subject to U.S. tariffs, and transfers between

leasing companies of interests in aircraft that are, both before and after such transfer, on lease to an airline in the United States would not typically involve a new import and would therefore not trigger tariffs. However, aircraft lessors who have purchase agreements for the acquisition of new aircraft or associated equipment, or for repair, maintenance or conversion of aircraft or associated equipment in the United States may encounter issues, depending on the precise contractual and practical arrangements applicable to their transactions and the approach of their counterparties.

The Executive Order is also expected to produce secondary and tertiary impacts that will broadly affect the aviation industry. For example, as a result of increased expenses and costs in the manufacturing segment, such as Boeing's production of aircraft in the United States using foreign-made parts and components, as well as increased expenses and costs applicable to the importation by airlines of foreign-made aircraft, parts and components, the prices (and, subject to other variables including aircraft supply and customer demand, market values) of new and existing aircraft and related parts and components are likely to rise. The selection of aircraft by U.S. airlines in particular may be influenced by whether or not such aircraft and its related components attract tariffs (*i.e.*, aircraft and components already made or already imported into the United States may be more attractive to U.S. airlines as they would take into account importation-related costs in their procurement decisions, and as a result such aircraft and components may be more valuable in the U.S. market (and *vice versa*)). Such rising prices, market values and selection issues may be reflected in changes in the attractiveness or otherwise of particular transactions and the associated commercial terms, not only in aircraft trading transactions, but also in aircraft leasing transactions, through higher (or possibly lower) prices or lease rates, extension of lease periods, purchase options, etc. Further downstream, the new tariffs may also lead to realignments in global supply chains, with additional commercial impacts to follow.

It is important to take into account that the situation as described in this note will change materially, potentially in very short order. As U.S. trading partners react to the Administration's new tariff rates and rules, including through accommodations, countermeasures or negotiated bilateral arrangements, and depending (among other things) on the circumstances and resulting changes implemented by the Administration, U.S. manufacturers and other exporters of aircraft and related assets previously imported into the United States may encounter enhanced or lowered trade barriers in foreign markets and U.S. importers may incur additional or reduced tariff-related burdens in the United States.

Due to the evolving nature of these circumstances, impacted businesses should watch developments closely and may consider implementing or adjusting contractual terms to address and mitigate risk related to such ongoing developments or future changes. Importers of record and other impacted businesses, which may include aircraft lessors in certain circumstances, as well as affected aircraft and component manufacturers and suppliers and airlines, should consult with a customs broker and closely review the Executive Order and assess their specific import and customs obligations across their supply chains, including with respect to the country of origin of any covered imports and whether any particular exemptions in the Executive Order may apply to such imports, such as those based on the relevant level of U.S. content, USMCA, the specific item being imported or otherwise.

This Client Alert is a summary of certain relevant and essential elements of the Executive Order and is not comprehensive as to the full scope of the Executive Order or other U.S. customs and trade laws.

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