

Of Course You Know, This Means War: A Strategic Update on the Trump Trade War

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This article suggests steps you should take to survive the current trade war. We are now in a trade war regardless of the fact that [Treasury Secretary Steven Mnuchin would rather we call it “a situation of trade disputes.”](#) Trade disputes are what we had from approximately 1945 to 2017: a relatively stable world trading order in which differences over unfair trade practices were mostly worked out under existing remedies, such as the [antidumping and countervailing duties](#) regimes. What we have now is a period of escalating tit-for-tat tariff increases in which the old trading norms are being increasingly rejected, exempted, and undermined. And it is those very norms that kept us out of trade wars for the last 70 years.

This, to paraphrase our favorite international trade [experts](#), means trade war.^[1] Steps you may wish to consider now include the following:

1. Get a firm grip on your global supply chain, logistics, and compliance processes.

Talk with your procurement and logistics teams to make sure you have a very detailed understanding of where you source the parts and components you need to conduct your business. Make sure you know what you buy domestically and what you import. Make sure your imports are properly categorized under the Harmonized Tariff System of the United States (HTSUS), and your other import compliance procedures are sound. This sounds wonky, but all tariffs are keyed to the HTSUS classification of the imported goods. If your classifications are wrong you may be either paying duties where you shouldn't, or failing to pay where you should. Both are bad for different reasons.

2. Make sure you understand all the tariffs on all your imports.

This includes existing ordinary import duties on the goods (which are handily listed right in the HTSUS, and average about 2 percent) plus all extraordinary tariffs, such as:

- Extra tariffs of 25% imposed by the Trump administration on many Chinese imports under

- Extra tariffs imposed by the Trump administration on steel (25%) and aluminum (10%) under Section 232 of the Trade Expansion Act of 1962
- Tariffs that have been announced but have not yet gone into effect under Section 301.
- Don't forget antidumping and countervailing duties imposed by the U.S. Department of Commerce to remedy categories of "unfairly traded" imports since long before Donald Trump became president (which can range from just a few percentage points to over 300%)

3. Request exemptions or exclusions as appropriate.

For some of the extraordinary tariffs, there are procedures for requesting exemptions or exclusions. Such procedures haven't been radically successful to date, but for very high-impact tariffs it may be worth the effort to try.

4. Know your alternatives.

For imported goods subject to high tariffs, get to know all the alternative sources of supply, and make sure you understand everything about those alternative sources (including pricing details; country of origin under the relevant origin rules; reliability of supply; absence of unlawful circumvention of duties). Consider shifting suppliers in cases where a lawful, less expensive source of alternative supply is available.

5. Watch for the changes.

We can't stop this war, but we can help you manage it. We'll keep you informed of developments, and we'll continue posting the intelligence we're gaining from the front lines.

Keep a close eye on new tariffs, both in the United States and abroad. The very nature of a trade war is that new tariffs tend to be imposed without much warning.

How do experts define a trade war? In a June 18, 2018 interview with Marketplace, trade historian Doug Irwin [said](#) "there's no official definition of what a trade war is. It's not even an official term that's used by economists or others." Irwin continued on to say that he believes (unlike us) that a trade war was not defined by the tit-for-tat tariffs countries impose on each other's goods, but by the amount of trade that is actually affected by the tariffs. Economist Heiner Flassbeck [believes](#) that a trade war requires a "never ending imposition of tariffs" that eventually destroys either side's willingness to negotiate. In an interview with Vox, Phil Levy, a senior advisor economic advisor to the George W. Bush Administration, [said](#) that a trade war occurs when the "escalation of trade barriers is uncontrolled." The World Trade Organization, for its part, [states](#) that it has no official definition of what constitutes a trade war.[1]

For those who have lost count, that's six different expert sources (counting us and the Oxford Dictionary), five different definitions, and one abstention. We're declaring it a trade war.

[1] A consensus definition of a trade war is elusive. The Oxford Dictionary defines it (as we do) as a situation in which countries try to damage each other's trade, typically by the imposition of tariffs or quota restrictions. While this definition is informative, it is not determinative of whether we are

currently in a trade war, primarily because dictionary definitions are often less-than-perfect indicators of how a term is actually used and understood by experts and the general public.

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National Law Review, Volume VIII, Number 219

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