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Trump Tariff and Trade Conference Call Takeaways

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Below we provide our key takeaways from a conference call we hosted last week with a former trade official in Trump's first administration. A transcript of the call is available upon request.

- Our guest believes that tariff usage is likely to evolve in the second Trump administration. With limited exceptions, during his first term, Trump had viewed tariffs as a way of addressing trade-related problems and based on that premise, he either threatened or employed tariffs to resolve those trade threats. We see this same approach in his second term, but we also see him employing tariffs to try and solve non-trade issues as seen by his threatened: 1) 25% tariffs on Mexico and Canada due to border/immigration issues; 2) 10% tariffs on China due to the incoming fentanyl problem; and 3) 100% tariffs on the BRIC countries leaving the dollar.
- Given this evolution in Trump's theory on tariffs, we could see them imposed/threatened more during his second term.
- One factor that makes timing on tariffs difficult to forecast is that Trump is purposefully unpredictable since he believes keeping world leaders off balance helps to maximize his leverage.
- However, if Trump threatens/imposes tariffs for non-trade related issues and countries are willing to come to the table, those issues can likely be resolved without tariffs going into effect or soon thereafter.
- Our guest sees this with the 25% tariffs Trump has threatened on Mexico and Canada. However, regarding the 10% China tariffs, that's a bit dicier since they have not seemed eager to come to the table. So, even though he sees the tariff as a negotiating tool, it might actually get implemented if Trump administration and China can't work out a deal and remain imposed until a deal is reached.
- Importantly, for example, when Trump says he wants to a 10%-20% worldwide tariff to reduce the trade deficit, or he wants more manufacturing in the U.S. there is a higher likelihood that those tariffs are going to go into effect because the tariff is an actual remedy that solves a problem.
- Regarding timing on the major tariffs like the 10%-20% across-the-board tariffs or the potential major hike in tariffs against China, our guest believes the timing is unclear and may not happen immediately when Trump takes office.

- Trump may continue to threaten those tariffs, but it is very plausible that Trump's advisors suggest he wait to implement those tariffs until there is a boost in the economy from deregulation, an energy plan that potentially lowers gas prices and until the tax cut debate is well underway.
- What our guest believes we could see very early on in the Trump term are targeted tariffs to address specific problems such as tariffs on France due to their digital services tax, or tariffs on Mexico due to products from China either being shipped through the country or where final assembly is conducted after most of the manufacturing is done in China.
- Both us and our guest expects Trump to harp on the fact that China failed to implement the Phase One deal that his administration cut with the Asian powerhouse. Failure to abide by the deal could be a big driver for a hike in Chinese tariffs, though 60% tariffs seem very unlikely. We would still expect exceptions for consumer facing goods but our guest pointed out that companies have had six years to move their supply chains out of China so there is an outside chance Trump imposes tariffs more widespread than anticipated.
- What is more likely is that Trump increases the existing tariffs on Chinese products.

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