

# Trump's Trade Policy

An overview of an exceptionally fast-moving subject

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Donald Trump is once again president of the United States. Reactions and expectations range from optimism, driven by hopes for an anti-regulatory agenda, to fears of a trade war with China. While it is a common refrain that uncertainty is bad for business, Trump has practically made unpredictability his trademark. In some cases, events can happen so quickly that they pass each other by the hour; a rate announced one day may be temporarily suspended the next. He has made it clear repeatedly that one of his priorities during his second term would be to protect the US economy and combat the US trade deficit. Time and again, the newly sworn-in president has publicly emphasised that he will not shy away from using trade policy measures to achieve domestic and foreign policy goals.

On the first day of his presidency, the White House released the new "**America First Trade Policy**" (*Trump Trade Policy*). The policy calls for a comprehensive reassessment of US trade relations. Trade policy measures, such as the imposition of tariffs, will then be taken on the basis of this reassessment. The relevant findings **are to be expected as early as 1 April 2025**. However, it appears that the government does not intend to wait for the results of the investigations and reassessments. Instead, new measures are being announced, introduced and suspended at an alarming rate.

For businesses, this fast-moving trade law landscape is extremely challenging. **Companies should monitor developments carefully and act promptly.** The list of immediate changes to the current trade law is already long: For example, there have been immediate additions to the US sanctions lists. Companies should pay increased attention when screening business partners and should ensure that their information is up to date. Moreover, companies should expect further changes to tariffs and other trade law measures at short notice. Overall, only the immediate and consistent adaptation of internal processes and compliance systems can effectively prevent infringements amidst the volatile US trade policy landscape.

In this briefing, we provide an overview of the trade policy measures that businesses need to be prepared for.

## Tariffs

In public, Trump repeatedly emphasises that he wants to use tariffs to strengthen and protect the US economy. Apparently seeing them as a silver bullet for many of the country's problems, he has not hesitated to use the threat of massive tariff increases. The following examples are based primarily on the published Trump Trade Policy. However,

the extent to which these tariffs will be implemented and maintained remains uncertain due to President Trump's unconventional and unpredictable political approach .

- **10% to 20% tariff on all imports:** In order to protect the US economy, Trump campaigned for all imports into the USA – regardless of sector and country of origin – to be subject to an additional " universal" tariff of 10% to 20%.
- **60% tariff on imports from China:** Trump has accused China of unfair trade practices and vowed during the election campaign to protect the US economy with massive tariffs of up to 60% on Chinese imports. However, the White House recently has announced its decision to impose 10% tariffs on China. The potential for these tariffs to be increased further in the future remains to be seen. In addition, the new Trump Trade Policy states that China's "most-favoured-nation" (*MFN*) status will also to be re-evaluated. The **removal of MFN status** could then be used to justify increased tariffs.
- **25% tariff on imports from Mexico and Canada:** The Trump administration has also announced that it will introduce blanket tariffs of 25% on all imports from Mexico and Canada, with the exception of energy resources from Canada. which will be subject to a lower tariff of 10%. However, the tariffs have been suspended for the moment, and it is possible that Canada or Mexico will be able to avert their introduction entirely by making political concessions. In addition, the North American Free Trade Agreement ("US-Mexico-Canada Agreement", *USMCA*) is to be comprehensively reviewed. The renegotiation of the USMCA (concluded during Trump's first term in office) is scheduled for mid-2026. **The reduction of the US trade deficit** is a key objective of Trump's second presidency, especially in the relations with the important USMCA partners. Fighting **migration and drug trafficking** is another focus in these relations. The Trump Trade Policy also initiates re-evaluations in this area.
- **Import duty exemption up to USD 800:** Under the Trump Trade Policy, the import duty exemption for goods up to a value of USD 800 is also being scrutinised.
- **Tariffs against BRICS<sup>1</sup>:** The BRICS<sup>1</sup> states<sup>1</sup> have also been targeted by Trump. They criticise the global supremacy of the US dollar as a reserve currency and are demanding greater financial independence of global markets from the US dollar. Before his inauguration, Trump threatened to respond to such endeavours with tariffs of up to 100% against the BRICS<sup>1</sup> countries.

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<sup>1</sup> Brazil, Russia, India, China, South Africa, Egypt, Ethiopia, Indonesia, Iran and the United Arab Emirates.

- **Tariffs against NATO partners:** It is also not excluded that Trump might consider country-specific tariffs against NATO partners that the US government does not consider having sufficiently high defence spending.

In addition to universal and country-specific tariffs, **sector-specific tariffs** are also likely to be part of the new US administration's toolbox. As was the case during Trump's last presidency, the focus is likely to fall onto the **steel and aluminium sectors** as well as the automotive industry in particular. The Trump Trade Policy now requires a review of the existing measures relating to steel and aluminium imports and initiates a broad evaluation of the US industry. The results of these investigations could then be used to justify further import restrictions.

## Tightening of export controls

The USA and China are fierce competitors for supremacy in the field of high technology – from semiconductors to quantum technology. The aim of Trump's export control strategy is to protect and expand the USA's technological leadership.

One of the issues being discussed is whether the so-called **de minimis rule** will be lowered under Trump: Currently, US re-export controls may only apply to goods produced abroad if they contain 25 % US technology. In the future, these controls may apply past the significantly lower **threshold of 10 %**. Moreover, export controls may also be fundamentally expanded and cover other categories of goods or software. As of now, the Trump Trade Policy specifically mandates that the entire US export control system is to be evaluated and consequently modified with respect to the USA's "strategic or geopolitical rivals".

## Sanctions

US sanctions are on track for expansion. For instance, individual cabinet member nominees have expressed support for the tightening of US sanctions against Cuba, Iran and Venezuela. The administration has various options at its disposal:

- **Extension of the "Specially Designated Persons List" (*SDN list*):** American individuals and companies are prohibited from maintaining business relationships with listed persons and businesses. As one of the first measures, Mexican drug cartels have now been added to the SDN list as a foreign terrorist organisation. Further listings should be expected.
- **Abolition of existing exemptions:** During the election campaign, Trump also announced the abolition of existing sanctions exemptions. Specifically, this could affect exemptions for the provision of humanitarian aid, for individual travel, or for transactions in the energy sector.

- **Stricter control and enforcement:** Overall, Trump is announcing a more aggressive US trade and foreign policy. Trump set the tone for his presidency upon taking office by immediately tightening the sanctions against Cuba (among others), which his predecessor Biden had just recently eased.

## Further trade policy measures

The Trump Trade Policy also contains several other trade policy measures:

- **Creation of an "External Revenue Services" (ERS):** The potential creation of a new dedicated authority is to be examined. The ERS would be responsible for the collection of customs duties and the enforcement of other trade policy measures.
- **Evaluation of trade agreements:** The Trump Trade Policy provides for all existing US trade agreements to be evaluated. The declared aim is to either renegotiate (allegedly) unbalanced trade agreements in favour of the USA or to terminate them altogether.
- **Tightening of outbound investment screening:** According to the Trump Trade Policy, the regulations on US outbound investment screening, which only recently came into force, are also to be reviewed and possibly expanded.

## What effects should be expected?

In a nutshell, the Trump Trade Policy's expected effects can be grouped into three categories:

- **Increased cost for exports to the USA:** The potential trade policy measures could make goods produced outside the USA more expensive and therefore less competitive on the US market. This notably affects German car manufacturers who have relocated parts of their production for the US market to Mexico. However, Mexico is now being particularly targeted by the new trade policy measures. This implies the risk of considerable price increases.
- **"China tariffs" could divert trade flows:** Especially the announced massive tariffs on goods from China could divert trade flows to other markets. More Chinese goods could enter European or other markets and undermine the competitiveness of other companies there. Investment flows may also be redirected in order to avoid country-specific tariffs by relocating production. Vietnam and Mexico, for example, have benefited from such investments by Chinese companies trying to circumvent US tariffs in recent years.
- **Countermeasures by third countries:** Moreover, the threat of affected third countries adopting countermeasures to US trade policy measures also looms. For example, Chinese export restrictions on critical raw materials have been imposed

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in response to US trade measures in the past. At the same time, China also maintains lists of sanctioned US companies that are to be excluded from Chinese supply chains. The EU has also defended itself against the trade policy measures of the first Trump administration with countermeasures: The US tariffs on steel and aluminium introduced in 2018 led to counter-tariffs from the EU. The effectiveness of such countermeasures has recently been strengthened by the Harley-Davidson decision of the European Court of Justice.

BLOMSTEIN will be closely monitoring developments in US trade policy and international reactions, particularly with regard to the behaviour of the EU and the impact on the German export industry. If you have any questions on trade compliance and on how to deal with trade policy measures, please contact Dr Roland M. Stein, Dr Leonard von Rummel, Dr Laura Louca and Ines Florinde Horn directly.

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